

Roy C. Hallowell, La Harpe.
Edward F. Tedens, Lemont.
Elwood Barker, McLeansboro.
George E. Whitmore, Mendota.
Ulysses E. Smith, Metropolis.
Arthur F. Sturgis, Middletown.
Frank Ohlhausen, Midlothian.
James W. Scott, Monmouth.
Willard L. Dragoo, Pawnee.
Ethel Gates, Pocahontas.
Joseph R. Atkinson, Sidell.
Arthur M. Smith, Stockton.
Vern L. Shinneman, Weldon.

IOWA

Charles O. McLean, Ankeny.
Joseph D. Schaben, Earling.
Edward A. Hansen, Holstein.
Marinus Jansma, Hospers.
Leander G. Kelley, Lamoni.
Ray C. Edmonds, Le Mars.
Anna A. Meek, Minburn.
John E. Klutts, Mondamin.
Edna Hesser, Nichols.
Emil A. Larson, Red Oak.
Perry B. Wilson, Shannon City.
Ora L. Garton, Weldon.

MARYLAND

Harry E. Pyle, Aberdeen Proving Ground.
Thomas G. Pearce, Glenarm.

MASSACHUSETTS

Fred C. Small, Buzzards Bay.
Isabelle Crocker, Cotuit.
Chestina B. Robbins, East Templeton.
Edwin C. Howe, Enfield.
Bernard Campbell, Millville.
Maryetta Browne, State Farm.
Harry W. Metcalf, Wrentham.

MINNESOTA

Ernest J. Grunst, Alpha.
Claude C. Stubbe, Ashby.
Claire L. Lewis, Big Lake.
Frederic E. Hamlin, Chaska.
Olga P. Hatling, Dalton.
Ralph C. Peterson, Dilworth.
Clarence W. Ivey, Elmore.
John A. Gregerson, Fertile.
George H. Baer, Frazee.
Erwin B. Whitney, Granite Falls.
Carl F. Peterson, Kennedy.
William P. Marston, jr., Lake Crystal.
Jacob Gish, Le Sueur.
Vera M. Parks, Nisswa.
Edward J. Soland, Oklee.
Abraham L. Ober, Palisade.
Harry N. Nordholm, Red Wing.
Alfred Anderson, Twin Valley.
Henry Groth, Wright.

MONTANA

Queenie B. Lyndes, Hysham.
George I. Watters, Victor.

NEW JERSEY

Alfred J. Perkins, Atlantic City.
Robert K. Greenwood, Elmer.
Fred F. Dennis, Fair Haven.
Frank Pierson, Lawrenceville.
Edith C. Reeves, New Lisbon.
Frank C. Dalrymple, Pittstown.
Mabel E. Tomlin, Sewell.
James H. Masker, Somerville.

NORTH CAROLINA

William H. Manning, Bethel.
George E. Kestler, Concord.
John M. Crawford, Graham.

Herbert C. Whisnant, Granite Falls.
Theodore E. McCrary, Lexington.
Paul E. Bruce, Mars Hill.
William F. Ballard, Mount Holly.
David M. Cloninger, Newton.
Charles E. Zedaker, Red Springs.
Cyril L. Walker, Roper.
W. Heman Hall, Rosehill.
James A. Grogan, Spray.
Alexander B. Berry, Swanquarter.
Lat W. Purser, Vanceboro.
Nannie M. Moore, Warrenton.

NORTH DAKOTA

Leta L. Davis, Lansford.

OKLAHOMA

James O. Seger, Seminole.

PENNSYLVANIA

William A. Leroy, Canonsburg.
Harvey J. Smoyer, Clairton.
Thomas Collins, Commodore.
Marion C. Hemmig, Elverson.
John T. Painter, Greensburg.
Allen L. Shomo, Hamburg.
Harry C. Myers, Holtwood.
Michael A. Grubb, Liverpool.
John M. Hayes, Montoursville.
William Tyndall, Mount Joy.
John H. Francis, Oaks.
A. Milton Wade, Quarryville.
Edward G. Carper, Roaring Springs.
Fred F. Cannan, Rome.
Newton E. Arnold, Roslyn.
Nathaniel Shaplin, Windgap.
Jay W. Clark, Woodlyn.
Randall H. Weaver, Worthington.
Edmund W. Tomb, Youngwood.

RHODE ISLAND

Howard E. Munroe, Barrington.

WEST VIRGINIA

James O. Buskirk, Holden.
Ernest E. Ritter, Red Jacket.
Guy E. McCutcheon, Reedy.
Ernest T. Morrison, Sutton.
James H. Trail, Winding Gulf.

WISCONSIN

Archibald G. Campbell, Barneveld.
Arthur Nortwen, Conover.
Cynthia T. Goodell, Platteville.

HOUSE OF REPRESENTATIVES

THURSDAY, MARCH 17, 1932

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

O Thou in whose presence we wait, we thank Thee for the history of the Republic. It is a goodly vine we have inherited. Its clusters of blessings hang richly and its roots run out in many ways for the welfare of our people. Always enable us to understand our responsibilities and to see the possibility of a greater patriotism. Make it an inspiration for us to go out and be better citizens and to carry to higher usefulness the influence which we possess. O Father, bless all philanthropies which go forward to reach the ignorant, to give bread to the hungry, and to give freedom to those who are oppressed. Permit all good things to survive and succeed. Grant us, Heavenly Father, courage to withstand all temptations of power, position, and pride. In the name of our Savior. Amen.

The Journal of the proceedings of yesterday was read and approved.

THE ANTI-INJUNCTION BILL

Mr. CRISP and Mr. SUMNERS of Texas rose.

The SPEAKER. For what purpose does the gentleman from Georgia rise?

Mr. CRISP. I was about to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the tax bill.

The SPEAKER. The Chair understands that the gentleman from Texas [Mr. SUMNERS] wishes to call up the conference report on the anti-injunction bill, and the Chair thinks that had better be disposed of first.

Mr. CRISP. Mr. Speaker, may I make a brief statement?

Personally I have no objection to taking up the anti-injunction bill at this time, but the House has agreed to have to-day for general debate on the tax bill. Some Members might find fault for taking up this injunction bill and doing something to take away the opportunity for further discussion. Would it not be better to let this go over until to-morrow when general debate will be closed?

Mr. DYER. Will the gentleman yield?

Mr. CRISP. I yield.

Mr. DYER. I will state to the gentleman from Georgia that in my judgment there will be no time taken in connection with the report on the anti-injunction bill. It is a unanimous report, and there is really nothing new in it of substance—merely a transposition of some words and one or two slight amendments.

The SPEAKER. Is there objection to considering the conference report at this time?

There was no objection.

Mr. SUMNERS of Texas. Mr. Speaker, I call up the conference report on the bill (H. R. 5315) to amend the Judicial Code and to define and limit the jurisdiction of courts sitting in equity, and for other purposes, and I ask unanimous consent that the statement be read in lieu of the report.

The SPEAKER. Is there objection to the request of the gentleman from Texas that the statement be read in lieu of the report?

There was no objection.

The Clerk read the statement.

The conference report and statement are as follows:

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 5315) to amend the Judicial Code and to define and limit the jurisdiction of courts sitting in equity, and for other purposes, having met, after full and free conference have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"That no court of the United States, as herein defined, shall have jurisdiction to issue any restraining order or temporary or permanent injunction in a case involving or growing out of a labor dispute, except in a strict conformity with the provisions of this act; nor shall any such restraining order or temporary or permanent injunction be issued contrary to the public policy declared in this act.

"SEC. 2. In the interpretation of this act and in determining the jurisdiction and authority of the courts of the United States, as such jurisdiction and authority are herein defined and limited, the public policy of the United States is hereby declared as follows:

"Whereas under prevailing economic conditions, developed with the aid of governmental authority for owners of property to organize in the corporate and other forms of ownership association, the individual unorganized worker is commonly helpless to exercise actual liberty of contract and to protect his freedom of labor, and thereby to obtain acceptable terms and conditions of employment, wherefore, though he should be free to decline to associate with his fellows, it is necessary that he have full freedom of associa-

tion, self-organization, and designation of representatives of his own choosing, to negotiate the terms and conditions of his employment, and that he shall be free from the interference, restraint, or coercion of employers of labor, or their agents, in the designation of such representatives or in self-organization or in other concerted activities for the purpose of collective bargaining or other mutual aid or protection; therefore, the following definitions of, and limitations upon, the jurisdiction and authority of the courts of the United States are hereby enacted.

"SEC. 3. Any undertaking or promise, such as is described in this section, or any other undertaking or promise in conflict with the public policy declared in section 2 of this act, is hereby declared to be contrary to the public policy of the United States, shall not be enforceable in any court of the United States and shall not afford any basis for the granting of legal or equitable relief by any such court, including specifically the following:

"Every undertaking or promise hereafter made, whether written or oral, express or implied, constituting or contained in any contract or agreement of hiring or employment between any individual, firm, company, association, or corporation, and any employee or prospective employee of the same, whereby

"(a) Either party to such contract or agreement undertakes or promises not to join, become, or remain a member of any labor organization or of any employer organization; or

"(b) Either party to such contract or agreement undertakes or promises that he will withdraw from an employment relation in the event that he joins, becomes, or remains a member of any labor organization or of any employer organization.

"SEC. 4. No court of the United States shall have jurisdiction to issue any restraining order or temporary or permanent injunction in any case involving or growing out of any labor dispute to prohibit any person or persons participating or interested in such dispute (as these terms are herein defined) from doing, whether singly or in concert, any of the following acts:

"(a) Ceasing or refusing to perform any work or to remain in any relation of employment;

"(b) Becoming or remaining a member of any labor organization or of any employer organization, regardless of any such undertaking or promise as is described in section 3 of this act;

"(c) Paying or giving to, or withholding from, any person participating or interested in such labor dispute, any strike or unemployment benefits or insurance, or other moneys or things of value;

"(d) By all lawful means aiding any person participating or interested in any labor dispute who is being proceeded against in, or is prosecuting, any action or suit in any court of the United States or of any State;

"(e) Giving publicity to the existence of, or the facts involved in, any labor dispute, whether by advertising, speaking, patrolling, or by any other method not involving fraud or violence;

"(f) Assembling peaceably to act or to organize to act in promotion of their interests in a labor dispute;

"(g) Advising or notifying any person of an intention to do any of the acts heretofore specified;

"(h) Agreeing with other persons to do or not to do any of the acts heretofore specified; and

"(i) Advising, urging, or otherwise causing or inducing without fraud or violence the acts heretofore specified, regardless of any such undertaking or promise as is described in section 3 of this act.

"SEC. 5. No court of the United States shall have jurisdiction to issue a restraining order or temporary or permanent injunction upon the ground that any of the persons participating or interested in a labor dispute constitute or are engaged in an unlawful combination or conspiracy because of the doing in concert of the acts enumerated in section 4 of this act.

"SEC. 6. No officer or member of any association or organization, and no association or organization participating or interested in a labor dispute, shall be held responsible or

liable in any court of the United States for the unlawful acts of individual officers, members, or agents, except upon clear proof of actual participation in, or actual authorization of, such acts, or of ratification of such acts after actual knowledge thereof.

"Sec. 7. No court of the United States shall have jurisdiction to issue a temporary or permanent injunction in any case involving or growing out of a labor dispute, as herein defined, except after hearing the testimony of witnesses in open court (with opportunity for cross-examination) in support of the allegations of a complaint made under oath, and testimony in opposition thereto, if offered, and except after findings of fact by the court, to the effect—

"(a) That unlawful acts have been threatened and will be committed unless restrained or have been committed and will be continued unless restrained, but no injunction or temporary restraining order shall be issued on account of any threat or unlawful act excepting against the person or persons, association, or organization making the threat or committing the unlawful act or actually authorizing or ratifying the same after actual knowledge thereof;

"(b) That substantial and irreparable injury to complainant's property will follow;

"(c) That as to each item of relief granted greater injury will be inflicted upon complainant by the denial of relief than will be inflicted upon defendants by the granting of relief;

"(d) That complainant has no adequate remedy at law; and

"(e) That the public officers charged with the duty to protect complainant's property are unable or unwilling to furnish adequate protection.

"Such hearing shall be held after due and personal notice thereof has been given, in such manner as the court shall direct, to all known persons against whom relief is sought, and also to the chief of those public officials of the county and city within which the unlawful acts have been threatened or committed charged with the duty to protect complainant's property: *Provided, however,* That if a complainant shall also allege that, unless a temporary restraining order shall be issued without notice, a substantial and irreparable injury to complainant's property will be unavoidable, such a temporary restraining order may be issued upon testimony under oath, sufficient, if sustained, to justify the court in issuing a temporary injunction upon a hearing after notice. Such a temporary restraining order shall be effective for no longer than five days and shall become void at the expiration of said five days. No temporary restraining order or temporary injunction shall be issued except on condition that complainant shall first file an undertaking with adequate security in an amount to be fixed by the court sufficient to recompense those enjoined for any loss, expense, or damage caused by the improvident or erroneous issuance of such order or injunction, including all reasonable costs (together with a reasonable attorney's fee) and expense of defense against the order or against the granting of any injunctive relief sought in the same proceeding and subsequently denied by the court.

"The undertaking herein mentioned shall be understood to signify an agreement entered into by the complainant and the surety upon which a decree may be rendered in the same suit or proceeding against said complainant and surety, upon a hearing to assess damages of which hearing complainant and surety shall have reasonable notice, the said complainant and surety submitting themselves to the jurisdiction of the court for that purpose. But nothing herein contained shall deprive any party having a claim or cause of action under or upon such undertaking from electing to pursue his ordinary remedy by suit at law or in equity.

"Sec. 8. No restraining order or injunctive relief shall be granted to any complainant who has failed to comply with any obligation imposed by law which is involved in the labor dispute in question, or who has failed to make every reasonable effort to settle such dispute either by nego-

tiation or with the aid of any available governmental machinery of mediation or voluntary arbitration.

"Sec. 9. No restraining order or temporary or permanent injunction shall be granted in a case involving or growing out of a labor dispute, except on the basis of findings of fact made and filed by the court in the record of the case prior to the issuance of such restraining order or injunction; and every restraining order or injunction granted in a case involving or growing out of a labor dispute shall include only a prohibition of such specific act or acts as may be expressly complained of in the bill of complaint or petition filed in such case and as shall be expressly included in said findings of fact made and filed by the court as provided herein.

"Sec. 10. Whenever any court of the United States shall issue or deny any temporary injunction in a case involving or growing out of a labor dispute, the court shall, upon the request of any party to the proceedings and on his filing the usual bond for costs, forthwith certify as in ordinary cases the record of the case to the circuit court of appeals for its review. Upon the filing of such record in the circuit court of appeals, the appeal shall be heard and the temporary injunctive order affirmed, modified, or set aside with the greatest possible expedition, giving the proceeding precedence over all other matters except older matters of the same character.

"Sec. 11. In all cases arising under this act in which a person shall be charged with contempt in a court of the United States (as herein defined), the accused shall enjoy the right to a speedy and public trial by an impartial jury of the State and district wherein the contempt shall have been committed: *Provided,* That this right shall not apply to contempts committed in the presence of the court or so near thereto as to interfere directly with the administration of justice or to apply to the misbehavior, misconduct, or disobedience of any officer of the court in respect to the writs, orders, or process of the court.

"Sec. 12. The defendant in any proceeding for contempt of court may file with the court a demand for the retirement of the judge sitting in the proceeding, if the contempt arises from an attack upon the character or conduct of such judge and if the attack occurred elsewhere than in the presence of the court or so near thereto as to interfere directly with the administration of justice. Upon the filing of any such demand the judge shall thereupon proceed no further, but another judge shall be designated in the same manner as is provided by law. The demand shall be filed prior to the hearing in the contempt proceeding.

"Sec. 13. When used in this act, and for the purposes of this act—

"(a) A case shall be held to involve or to grow out of a labor dispute when the case involves persons who are engaged in the same industry, trade, craft, or occupation; or have direct or indirect interests therein; or who are employees of the same employer; or who are members of the same or an affiliated organization of employers or employees; whether such dispute is (1) between one or more employers or associations of employers and one or more employees or associations of employees; (2) between one or more employers or associations of employers and one or more employees or associations of employees; or (3) between one or more employees or associations of employees and one or more employers or associations of employees; or when the case involves any conflicting or competing interests in a 'labor dispute' (as hereinafter defined) of 'persons participating or interested' therein (as hereinafter defined).

"(b) A person or association shall be held to be a person participating or interested in a labor dispute if relief is sought against him or it, and if he or it is engaged in the same industry, trade, craft, or occupation in which such dispute occurs, or has a direct or indirect interest therein, or is a member, officer, or agent of any association composed in whole or in part of employers or employees engaged in such industry, trade, craft, or occupation.

"(c) The term 'labor dispute' includes any controversy concerning terms or conditions of employment, or concerning

the association or representation of persons in negotiating, fixing, maintaining, changing, or seeking to arrange terms or conditions of employment, regardless of whether or not the disputants stand in the proximate relation of employer and employee.

"(d) The term 'court of the United States' means any court of the United States whose jurisdiction has been or may be conferred or defined or limited by act of Congress, including the courts of the District of Columbia.

"Sec. 14. If any provision of this act or the application thereof to any person or circumstance is held unconstitutional or otherwise invalid, the remaining provisions of the act and the application of such provisions to other persons or circumstances shall not be affected thereby.

"Sec. 15. All acts and parts of acts in conflict with the provisions of this act are hereby repealed."

And the Senate agree to the same.

HATTON W. SUMNERS,
A. J. MONTAGUE,
L. C. DYER,

Managers on the part of the House.

G. W. NORRIS,
T. J. WALSH,
JOHN J. BLAINE,

Managers on the part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the bill (H. R. 5315) to amend the Judicial Code and to define and limit the jurisdiction of courts sitting in equity, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

Section 2 of the Senate amendment contains, in the statement of the policy of the legislation, the phrase "though he (the individual unorganized worker) should be free to decline to associate with his fellows." The phrase is not employed in the corresponding provision in the House bill. The conference agreement adopts the Senate provision.

Section 3 of the House bill and of the Senate amendment are identical except for minor differences in punctuation. The conference agreement adopts the Senate amendment with minor changes in punctuation.

There are minor differences in the punctuation of section 4 (c) of the House bill and the Senate amendment. The conference agreement adopts the Senate provision.

Section 6 of the Senate amendment provides that no court of the United States shall have jurisdiction upon the hearing of an application for temporary restraining order or an interlocutory injunction to grant a mandatory injunction compelling the performance of an act in any case involving or growing out of any labor dispute as defined in the act. There is no corresponding provision in the House bill. The conference agreement omits the Senate provision.

Section 6 of the House bill provides that no officer or member of any association or organization, participating or interested in a labor dispute, shall be held responsible or liable in any United States court for the unlawful acts of individual officers, members, or agents except upon clear proof of actual participation in, or authorization of, such acts, or of ratification, with actual knowledge, of such acts. The section further provides that the liability of any such association or organization for unlawful acts of its members shall be similarly limited. Under the corresponding provision of the Senate amendment (section 7), no officer or member of any association or organization, and no association or organization participating or interested in a labor dispute is to be held responsible or liable in a United States court for the unlawful acts of individual officers, members, or agents, except upon clear proof of actual participation in or authorization of such acts, or of ratification of such acts after actual knowledge. The conference agreement adopts the Senate provision.

Section 7 (a) of the House bill, which deals with findings of fact necessary to be made by the court before a temporary or permanent injunction may be issued, prescribes as one of the classes of findings that unlawful acts have been threatened or committed and will be continued. The paragraph further provides that no injunction or restraining order shall be issued except against the person or persons, association, or organization making the threat or committing the unlawful act or authorizing or ratifying it after actual knowledge thereof.

The corresponding provision of the Senate amendment (sec. 8 (a)) requires a finding that unlawful acts have been threatened or committed, and will be committed or continued unless restrained, and omits the provision including associations and organizations within the exception.

The conference agreement requires a finding that unlawful acts have been threatened and will be committed unless restrained or have been committed and will be continued unless restrained, and includes associations and organizations, as does the House bill.

Under the House bill (second subdivision of sec. 7) notice of hearing must be given to the chief of those public officials of the county and city within which the unlawful acts have been threatened or committed. Under the corresponding provision of the Senate amendment (second subdivision of sec. 8) notice of hearing must be given to the chief of those public officers of the county and city within which the unlawful acts have been threatened or committed charged with the duty to protect the complainant's property. The conference agreement adopts the Senate provision except that "officials" is substituted for "officers."

The second subdivision of section 7 of the House bill expressly gives the court the power to fix the amount of the security in the undertaking filed by the complainant. There is no corresponding provision in the Senate amendment. The conference agreement adopts the provision of the House bill.

The third subdivision of section 7 of the House bill provides that the undertaking given by the complainant shall signify an agreement upon which a decree may be rendered upon a hearing to assess damages, of which hearing the complainant and surety shall have reasonable notice. The corresponding provision of the Senate amendment (third subdivision of sec. 8) contains no such provision with respect to hearing and notice. The conference agreement adopts the House provision.

The House bill (sec. 10) provides that, upon the request of any party to the proceedings, the court shall forthwith certify the entire record of the case, including a transcript of the evidence taken, to the circuit court of appeals for its review. The Senate amendment (sec. 11) provides that upon the request of any party to the proceedings and on his filing the usual bond for costs, the court shall forthwith certify as in ordinary cases the record of the case to the circuit court of appeals for its review. The conference agreement adopts the provisions of the Senate amendment.

The House bill (sec. 11) provides that, in cases arising under sections 3, 4, 5, 6, and 7 of this amendatory act in which a person is charged with criminal contempt of a court of the United States, the accused should enjoy a speedy public trial by jury. The corresponding provision of the Senate amendment (sec. 12) is broader in that it relates to all cases in which a person is charged with contempt in a court of the United States. The conference agreement applies only to cases arising under the act under consideration in which a person is charged with contempt in a court of the United States.

Section 12 of the House bill provides that the defendant in any proceeding for contempt of court may file a demand for the retirement of the judge sitting in the proceeding if the contempt arises from an attack upon the character or conduct of such judge and if the attack occurred otherwise than in open court. The corresponding provision of the Senate amendment (sec. 13) permits such demand if the contempt occurred elsewhere than in the presence of the

court or so near thereto as to interfere directly with the administration of justice. The conference agreement retains the Senate provision except that "attack" is substituted for "contempt."

The separability clause of the Senate amendment (sec. 15) is broader than the corresponding provision of the House bill (sec. 14) in that separability with regard to persons and circumstances is included. The conference agreement adopts the Senate provision.

HATTON W. SUMNERS,
A. J. MONTAGUE,
L. C. DYER,

Managers on the part of the House.

Mr. STAFFORD. Will the gentleman yield?

Mr. SUMNERS of Texas. I yield.

Mr. STAFFORD. Will the gentleman state to the House wherein the conference report agreed upon differs in substance from the anti-injunction bill as it passed the House?

Mr. SUMNERS of Texas. The conference report differs not materially from the bill as it passed the House. The bill as it went to the Senate, as it came from conference, incorporated section 6 of the Senate bill, which was not in the House bill. Section 6 dealt with the mandatory powers of the Federal court, operating under temporary injunction, and also the ancillary power. Since that provision has been eliminated in the last conference report and was not incorporated in the bill as it passed the House, that explanation will be sufficient, because it is out.

Mr. STAFFORD. Of course, if that is eliminated, there is nothing more to be said about it, but I wanted the gentleman to make that explanation.

Mr. BLANTON. Will the gentleman yield?

Mr. SUMNERS of Texas. I yield.

Mr. BLANTON. The bill as it comes out of conference does not in any way interfere with the existing padlock powers that are now exercised by our courts?

Mr. SUMNERS of Texas. That is understood.

Mr. BLANTON. It only has reference to labor disputes and no other question.

Mr. SUMNERS of Texas. Well, it is a little broader than that. It affects injunctions in labor disputes and contempt proceedings growing out of what is known as an attack on the judge or court.

Mr. BLANTON. Yes; but it does not relate to other subjects or to the prohibition question.

Mr. SUMNERS of Texas. That is correct.

Mr. LA GUARDIA. Only arising out of the act.

Mr. MICHENER. In substance the conference report agrees with the bill as it passed the House?

Mr. SUMNERS of Texas. In substance, that is correct.

Mr. DYER. Mr. Speaker, will the gentleman yield to me?

Mr. SUMNERS of Texas. Yes.

Mr. DYER. Mr. Speaker, the House bill went to the Senate. The Senate bill got lost over here and never did get back to the Senate. When the House bill went to the Senate, the Senate offered the Senate bill as it passed over there as one amendment to the House bill, and we considered that in connection with the House bill. As stated by the gentleman from Texas [Mr. SUMNERS], outside of the elimination of a section which the Senate put on on the floor of the Senate, section 6, which had to do with mandatory injunctions, which was eliminated and is not now a part of the report, the only thing we had in controversy and only other change of consequence, I think the gentleman from Texas will agree, was in reference to contempts. The House provision provided for criminal contempts, that there should be a jury trial in such cases. We struck out the word "criminal," and a jury trial is now in order for contempt, civil or criminal.

Mr. LA GUARDIA. That is, arising out of any action contemplated in the act.

Mr. DYER. Yes; we confined all issues to this act itself, and it does not apply to padlock injunctions or to anything else.

Mr. MICHENER. What I am interested in is what the gentleman from New York [Mr. LA GUARDIA] says. It is the striking out of the word "criminal," so that the act does not apply to criminal contempt only but to all contempts, which is a vastly different thing. The gentleman from New York [Mr. LA GUARDIA] assures us that the change made in the Senate refers only to labor disputes, in so far as that particular phase is concerned.

Mr. LA GUARDIA. Cases arising under the act, which we passed. It is our section 11.

Mr. MICHENER. It would be a vastly different thing to strike out "criminal" and make the act apply to all contempts.

Mr. DYER. Oh, no. The conferees never had any such intention.

Mr. SUMNERS of Texas. May I suggest to the Members of the House that they be brief as possible, because I am here only under the assurance given to the gentleman in charge of the revenue bill that we would be very brief. The report filed in this case, except one word that is not properly printed, really discloses the status of this matter before the House. I move the previous question.

The previous question was ordered.

The SPEAKER. The question is on agreeing to the conference report.

The conference report was agreed to.

REVENUE BILL OF 1932

Mr. CRISP. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 10236) to provide revenue, equalize taxation, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the revenue bill of 1932, with Mr. BANKHEAD in the chair.

The Clerk reported the title of the bill.

Mr. TREADWAY. Mr. Chairman, I yield 15 minutes to the gentleman from Wisconsin [Mr. STAFFORD].

Mr. STAFFORD. Mr. Chairman, not because the former Secretary of the Treasury, Mr. Mellon, and the then Under Secretary and present Secretary of the Treasury, Mr. Mills, made recommendations which were counter to the proposed sales tax, no more than because the proposed sales tax is advocated by the distinguished publisher and publicist, William Randolph Hearst, do I oppose it, but because the principle and policy advocated by the former Secretary of the Treasury and the present Secretary of the Treasury is, as I believe, a better policy, based on sound economic and financial considerations, and I stand here to use my voice strongly in opposition to the imposition of a consumption tax at this time, or at any time, unless it is proven that the proposal of the Treasury Department, the recognized fiscal representative of the Government, is not sound economically and financially. I listened attentively to the explanation of the acting chairman of the committee in justification of the sales tax. At no time did he cite in his very lucid explanation of the proposed bill any serious objection to the proposals advocated by the Secretary of the Treasury.

As I understand, neither the present Secretary of the Treasury nor the former Secretary of the Treasury at any time has departed from his first recommendation, and that the policy he advocated is the better policy for this Government to follow. I have here the mimeographed copies of the original proposal under date of January 13, 1932, and the later proposal of February 16, and in no instance is the present Secretary of the Treasury departing from his original recommendation to Congress.

I read from page 10 of the original recommendation what the Secretary of the Treasury, Mr. Mellon, corroborated by the present Secretary of the Treasury, Mr. Mills, said:

Accordingly I recommend that additional revenue be provided from the following sources—

Additional, after the increase of the income taxes and the like.

An increase of one-sixth in the present rates on tobacco manufactures and products, except cigars.

Who is there here who does not justify the imposition of one-sixth of additional revenue on cigarettes and other characters of tobacco? The Secretary of the Treasury has not withdrawn at any time that recommendation.

An increase of 1 cent in the existing stamp tax upon sales or transfers of capital stock; extension of the present tax on admissions through the reduction of the present exemption to 10 cents.

I do not subscribe to that low level, and the committee has raised the exemption to 25 cents, and I question whether it should not be advanced a little higher than that. Certainly I would not subscribe to as low as 10 cents.

A tax on manufacturers' sales of automobiles, trucks, and accessories, at 5, 3, and 2½ per cent, respectively.

This committee in its sales tax has brought in a recommendation only modifying that to the extent of levying 2¼ per cent on all; 3 per cent on trucks and 5 per cent on automobiles is what the Secretary of the Treasury recommends. This bill levies 2¼ per cent.

A stamp tax on conveyances of real estate of 50 cents for each \$500 of value in excess of \$100.

That goes back to the recommendation of war days, when we had a 50-cent stamp tax on conveyances, based on this same idea, and it was not any burdensome tax.

A tax of 5 per cent on manufacturers' sales of radio and phonograph equipment and accessories; a stamp tax of 2 cents on each check and draft.

That is what we had during the Spanish-American War and worked out satisfactorily at that time.

A tax on telephone, telegraph, cable, and radio messages of 5 cents for charges in the amount of 14 to 50 cents, and 10 cents for charges in amounts in excess of 50 cents.

That has been incorporated in the bill before us.

Then he also recommends increased postage rates from 2 cents to 3 cents.

I wish to subscribe to the postulate that we must, under all circumstances, balance the Budget, but only as a last and final resort am I willing in these times of industrial depression to put a consumption tax on the people generally.

I took the position before the assembling of Congress, when this question was being mooted, that I would favor an excise tax on luxuries and I would not favor a sales tax unless as a last resort.

I favor raising the postage from 2 cents to 3 cents, as other countries have done, in order to gain revenue.

How can any person on this side of the aisle or on that side of the aisle, with a deficit of \$200,000,000 threatening us in the operation of the Postal Service, fail to support increasing the rates on postage?

Personally, as a stockholder in a small mercantile corporation which spends \$90 a month in postage, I would be penalized more by increasing the postage than by the sales tax, which would be passed on in some instances, to the consumer, but I am here to subscribe to that policy, and also stand ready to vote for all these proposals recommended by the Treasury Department, including increased postage, because the conditions warrant it. If Canada had the courage to increase its postage from 2 cents to 3 cents, and that is the present rate, why do we not have the courage?

I am not taking my policy as to the financial program of this Government from any postal organization which, for some reason, wishes to keep down postal revenues when they have mounted, by reason of increasing salaries. We could, by increasing letter postage 1 cent, balance the Budget of the postal service, because it is running into the red to the extent of \$200,000,000, and you are not warranted, under a sales tax, in passing it on to the consumers generally, because as a legislative anæsthetic it will not be consciously felt.

I agree with the chairman of the committee that in many instances the sales tax may be absorbed. Only yesterday

afternoon I received a letter from a large manufacturer of macaroni in my district setting forth the fact that although that company has reduced the salaries of the officers they had not reduced the wages of their employees, but if this sales tax is imposed they would be obliged to reduce wages. Why? Their product has a certain established price fixed for its sale, and they are in that condition economically that they can not afford to take the loss, and the only way they can recoup is to cut down the wages of their help. Now, they are not in a fortunate position like the Quaker Oats Co., which shows that their surplus this year is larger than that of last year. Such a concern might be able to absorb the sales tax, but not this company, and I dare say there are many similarly circumstanced.

I wish to call your attention to an instance where Canada with its general sales tax found it necessary to discourage the spending of money extravagantly by levying a high excise tax on luxuries, such as automobiles, jewelry, and the like. It was only temporary in character, but they had occasion to levy, in addition to their uniform sales tax, an additional excise tax on these articles.

I have waited long for some member of the Committee on Ways and Means to explain why they are continuing the 80 per cent set-off of all inheritance taxes collected that was adopted in 1924 and credited to the States. The super-tax as provided here will raise only a few million dollars, but 80 per cent of the inheritance taxes that this Government receives will continue to be transferred to the States.

Time was in this body—and I was not here in 1924—when the National Government received its full quota of the national inheritance taxes; and the only reason, as I recall, why they allotted to the States 80 per cent was in order to prevent persons going down to such States as Florida, where they were trying to draw the tax dodgers of the country by promising them that they would not have any inheritance tax to pay or any income tax to pay should they change their residence. But that condition has passed. Why does not the Committee on Ways and Means come here and say, "We will appropriate a greater proportion of the 80 per cent set-off," if they do not want to wipe it off entirely?

We must view this question primarily from a national standpoint. Leave it to the States to get their amount of inheritance taxes; and if we would repeal the 80 per cent, or any portion of the 80 per cent credit, it would require no legislative enactment on the part of the States to collect their respective inheritance taxes.

Wisconsin does not grant any exemption on estate taxes above \$15,000 to widows, and only \$2,000 to lineal descendants. Here they are exempted up to \$100,000—under this bill for the superinheritance tax, the tax begins at \$50,000. Why does not the National Government take some greater portion of these inheritance taxes?

So we have the situation that the Ways and Means Committee has at no time shown that they can not get additional revenue from these and other sources. They have not advanced any reason why the recommendations of the Treasury Department have not been adopted, except perhaps, as we know, that large lobbies of interested special interests come down here and protest against this special interest being singled out for a high excise tax and advocate instead spreading it upon all consumers alike.

As a result you find the Representatives from those States where they have those special industries, which were relieved to the extent of the difference between 2¼ per cent and 5 per cent, rising here now in favor of this general sales tax.

Under the Constitution the right to originate revenue legislation is conferred upon the House of Representatives, which is directly responsive to the will of the people. The people expect us not to spread taxes over all but to carry out the fundamental principle which every true Democrat and every true Republican favors, namely, that luxuries, jewelry, and any other character of luxury shall bear a higher rate of taxation. [Applause.]

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield the gentleman five additional minutes.

Mr. STAFFORD. Great Britain and the United States are the two countries that have not levied a sales tax. Great Britain has higher income taxes and higher estate taxes than any other government in the world.

We should not adopt any policy, especially in these depressed times, which will weigh heavily upon the shoulders of the consuming class.

During the war, under the leadership of Mr. Claude Kitchin, with the Democrats in control, we scrutinized every means of taxation. Those were the days when the people were wearing silk shirts, when the workers in the factories were getting \$15 and \$20 a day; they were not then on a beer income, but they were on a champagne grade, but never once during those days did the Democrats advocate a general consumption tax that would be spread on the shoulders of every person in the country.

Yet now, when wages are reduced, and when the consumption power of the people is at the very minimum, you are asking this Congress for the first time to levy a tax which is going to weigh heavily upon the shoulders of the consuming class. How can any true disciple of the people justify such a tax?

If a person wants to buy a car costing \$1,600 or \$1,800, do you mean to say that \$100 additional will deter him from purchasing that car? Of course not, because such a person is in a position to pay the additional tax. The same is true if a person wants to purchase a silver service, as I did for one of my former secretaries. At that time there was a special excise tax on silver services, and yet I did not object to the payment of the special tax because I was in a position to pay, and I gladly paid it. However, that is not true of a sales tax which covers all articles, because that is a tax which is spread over the entire consuming class.

If you should adopt such a tax you would find it odious to the people and you will be called to account for it. Your very certificates of election will be considered upon your decision in relation to this question, whether you are going to have the consuming class bear the burden or whether you are going to have these taxes paid in proportion to the ability to pay.

The Committee on Ways and Means has not shown at any time in this debate that it can not get adequate revenue from inheritances by cutting off the 80 per cent or reducing that percentage. They have not shown that they can not get \$150,000,000 by increasing the rates of postage. They merely present to you a soothing legislative dose which they think will not be felt by the people but which will, in fact, increase the cost of living. It will not only increase the cost of living \$600,000,000, the amount expected to be raised, but perhaps \$1,000,000,000. I will protest against the imposition of such a tax until every avenue for raising taxes has been exhausted. The Committee on Ways and Means has not shown that it has.

Let us stick fast to the principle that we must balance our Budget, but balance it in a way which will not lay heavily upon the consuming class, unless all other avenues of taxation have been exhausted.

Mr. LOZIER. The gentleman has made an interesting and convincing argument, and in support of his contention that the Republican Party, as a party, has heretofore been opposed to the sales-tax policy, may I suggest that in 1921 the Senate Finance Committee held very extensive hearings with a view of establishing a general sales tax. Following the analysis and argument embodied in a treatise by Professor Seligman, the committee abandoned the plan entirely as impractical, unjust, and unwise, though the chairman, Senator Smoot, favored the adoption of the sales tax.

Mr. STAFFORD. That may be true. Let me say I hesitate to bring in the prohibition question in this revenue debate, but many of my people at home are sullen. They are law-abiding, but they can not understand why you should suffer the policy of allowing the Capones and other racketeers to get the revenue which rightfully belongs to the Government when there is within reach at least \$300,000,000 by

levying a tax on beer at the rate of \$6 a barrel. That was the war-revenue rate charged at the close of the war on 2.75 per cent beer of alcoholic weight authorized by the President under the war powers of Congress. Then the Government received hundreds of millions from beer alone to meet the running expenses of the Government. Now the revenue is illicitly diverted to the pockets of the racketeers.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield the gentleman one additional minute.

Mr. STAFFORD. It is admitted by Mr. Woodcock, the prohibition enforcement officer, that there are 38,000,000 barrels of beer being peddled around annually by hijackers, from which we get no revenue. Fifty million barrels of 2.75 per cent beer, which is acknowledged to be nonintoxicating, at \$6 a barrel would raise \$300,000,000. This mild beverage, nonintoxicating and within the power of Congress to authorize, is being denied to hundreds of thousands of temperate people because Congress is yielding to the fanatical prohibition intolerants. My people at home are wondering how this Congress can fail to adopt that means of taxation instead of resorting to this unwanted policy which will cost every family in the country an average of at least \$10, \$15, or \$25 a year. When will the Congress get sanity on the drink question and supersede the evils of unregulated traffic of hootch, moonshine, and their ilk by permitting the manufacture of a mild beverage that most temperate people advocate?

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 20 minutes to the gentleman from Pennsylvania [Mr. McFADDEN].

Mr. McFADDEN. Mr. Chairman, it would appear that a clear majority of this House do not want to vote for the sales tax. We are told by the proponents of the measure and by the administration that we must vote for it because there is no other way in which the revenue necessary to balance the Budget can be raised. Such a statement is not true. No other acceptable method has been offered to the House, but another method does exist. I hope that the Ways and Means Committee will give heed to the suggestion I am making.

Strictly speaking, there is no deficit. The income contemplated by previous sessions of the Congress is sufficient to discharge all the obligations of the Government, but that income has not been collected. We are not really dealing with a deficit but with a shortage.

Let me offer a letter written to me by Andrew W. Mellon, former Secretary of the Treasury. This letter is dated December 7, 1931, and it deals with conditions of the actual present, not of the dimmed past nor of the uncertain future.

DECEMBER 7, 1931.

HON. L. T. McFADDEN,
Chairman Committee on Banking and Currency,
House of Representatives.

DEAR MR. CHAIRMAN: I have your letter of November 21, 1931, in which you request that I advise you concerning the number and total amount of the unpaid or disputed income or other tax cases remaining unsettled or now pending before the tax board of the Treasury.

The records maintained by the Bureau of Internal Revenue with respect to the cases awaiting hearings by the United States Board of Tax Appeals indicate that on October 31, 1931, there were pending before that body, or on appeal to circuit courts of appeals from decisions of the board, 19,444 appeals, and that the amount of proposed deficiency taxes involved was approximately \$728,634,000. As to 221 cases the board had reached its decision, but the final order had not issued. In 644 cases the final order had issued, but the 6-month period permitted for appeal has not run. In 860 cases appeals had been filed with circuit courts. The number of cases which the board must decide is, therefore, 17,719.

There are pending before the income tax unit in Washington approximately 16,400 cases, which involve about \$174,000,000. These cases are largely for current or late years. Most of the cases involve the tax year 1929, while the balance is for 1928 or prior years.

Although no exact figures are available as to the cases now pending before our field forces, it is probable that about \$25,000,000 is involved in examinations under way at this time.

Very truly yours,

A. W. MELLON,
Secretary of the Treasury.

The total of the items enumerated by Mr. Mellon is \$917,634,000—\$300,000,000 more than the estimated revenue from the proposed sales tax. I am informed that the great number of the thousands of income-tax cases which are now enmeshed in the technicalities of appeal are in that position upon slender foundations. I am informed that many of the petitions were filed by taxpayers at the instance of their expert advisers in tax evasion for the sole purpose of keeping in their own bank accounts as long as possible the money that should rightfully be in the Federal Treasury.

Other governments do not have provision for loopholes in their income-tax legislation, and in this respect I am not unmindful of the attempt in this bill to correct this, but it does not go far enough. We have allowed ourselves to become enmeshed in this great shortage; we should find means of escaping from this trap—and the laying of new burdens on our taxpayers to carry the cost of past folly is not the way out.

If the courts and the Board of Tax Appeals are unable to deal rapidly with this mass of technicality, the Congress should at once furnish them with sufficient personnel to bring this almost criminal delay to an end. Most of this money belongs in the United States Treasury; never before have we needed money as we need it now. This money should be where it belongs; no effort should be spared that will put it at the service of the Government. It is not fair treatment to those of our citizens who have paid their honest taxes.

The taxpayers who owe this vast sum are for the most part in a position to make payment.

I urge that the Congress take steps to collect the taxes due under present laws before it passes new laws to be evaded.

Information has also been furnished to the Bureau of Internal Revenue that hundreds of millions of dollars of taxes have been evaded or avoided by wealthy taxpayers. For months past the bureau has been investigating this information, and while few final reports of individual instances have been completed, there is definite evidence that a vast system of tax evasion has been built up and is now functioning to the great detriment of the public revenues. I have kept in close personal touch with the progress of these investigations and am familiar with the conditions which exist.

I offer the following letter from Andrew W. Mellon, former Secretary of the Treasury, written under date of December 11, 1931:

THE SECRETARY OF THE TREASURY,
Washington, December 11, 1931.

HON. LOUIS T. MCFADDEN,
House of Representatives, Washington, D. C.

MY DEAR MR. MCFADDEN: I have your letter of December 9, written at the suggestion of Mr. David A. Olson. I will see that Mr. Olson's suggestions, transmitted through you, are placed with the material that he furnished to the department directly, which, as I advised you, is now receiving consideration.

Yours very truly,

A. W. MELLON,
Secretary of the Treasury.

It is yet too early to offer definite figures on the extent of the tax evasions upon which information has been furnished to the Bureau of Internal Revenue, but it is safe to say that the sum which could be recovered from that source and from the other conditions disclosed by Mr. Mellon's earlier letter would easily amount to at least twice the total estimated as the return from the proposed sales tax.

Mr. Chairman, revenue from past-due taxes is already due to the Government. It was in anticipation of their collection that we entered into our present and past obligations. There is no reason why the intention of the Congress, as expressed in legislation, should not be carried out. There is less than no reason why the already burdened plain people of the country should be called upon to pay for the tax evasions of the wealthy.

Collection of these past-due taxes is not a tax upon the straitened present nor upon the doubtful future; it is a tax upon the past. It does not handicap the recovery of American industry or the employment of American workmen or

the income of American farmers. It clears the obstacles from the path of returning prosperity and offers to us the encouragement of an unmortgaged future.

The Bureau of Internal Revenue should at once be provided with whatever additional personnel is needed to expedite the investigation and early collection of these evaded taxes.

I realize that the collection of this vast volume of past-due taxes will not be a short or an easy undertaking; I realize, too, that the financial returns from it can not be estimated with the accuracy of amount and date which are necessary in providing for public obligations, and that certain and unfailing revenue must be provided for immediate use. The collections from past-due taxes can be used to retire the precipitate borrowings for which we have recently become liable. I understand that the Treasury needs this year, in addition to this tax bill, will require new borrowings in excess of \$4,000,000,000.

There is available another means of providing immediately the revenue to maintain the Government and balance the Budget. This other way will also produce a sum much larger than will any proposed tax legislation now before the Congress, and again I direct the special attention of the members of the Ways and Means Committee.

Like the collection of overdue and evaded taxes which I have just laid before you, this other source of available revenue is again no burden upon the present or the future. It again offers us opportunity to charge the costs of our past folly against the profits of that folly, to tax the past for the debts of the past.

For the past 15 years we have been away from what was previously the normal basis of American life. We have departed from caution and foresight and the wisdom of our ancestors. We have subscribed to weird phantasies of economics, the most unbalanced of which was the once prevalent belief that prices would forever go up. During this strange interlude in our history we became convinced that we were living in an era of unprecedented and permanent prosperity. Three years ago the natural laws of economics reasserted themselves and taught us some things that we had forgotten. Among other things, the arithmetic of our delusion was remodeled; we have learned that 12 years of inflation plus 3 years of depression is the equivalent of 15 years of hard times.

Comparing ourselves to-day with what we were in 1917, we find that we have a vast burden of public and private debt now which we did not have then, that we have formed the ruinous public and private habit of living beyond our incomes, and that we have become so accustomed to extravagance that we see it as necessity.

We in this Chamber are facing the consequences of a period of unprecedented national and international folly. We can not meet these consequences by continuing the folly which gave them birth. Paying bills is a sober business; it would seem best to approach the problem in the sober frame of mind which prevailed in the United States before we departed from reason 15 years ago.

Our bills must be paid. No matter what other nations may discuss or do, the United States must pay in full every penny that it owes, without evasion and without whining. We have been lectured upon our duty to the world; it seems to me that we have no higher duty than to provide an example by paying in full what we owe to our creditors and to our people—thereby, perhaps, offering a model of national sobriety in an age when that once common quality is all too rare.

Many a man who drew high wages in the silk-shirt era is living in a hole under a sidewalk to-day. All of us are paying our share of the common penalty in greater or less degree of sacrifice, self-denial, and actual loss of cherished possessions.

The human portion of the United States is paying a full share for whatever portion of so-called prosperity it may have thought it once enjoyed. Nobody in his right mind is bitter about this; it is a part of the business of living, and the ability to take punishment in silence is one of the most

important measures of manhood. What we are interested in now is the means by which our distress can be brought to an end and reasonable comfort restored to us once more. The American people have been and are now game under the lash of their troubles.

American corporations have a great opportunity to demonstrate that they are as willing to take their share of the payment for their profits of the boom era.

American corporations to-day have a total accumulated surplus of some \$55,000,000,000. I am quoting this from Statistics of Income, prepared by the United States Treasury, page 25. Their cash loads the surviving banks of the country; they have more than \$20,000,000,000 of cash on hand and in banks, according to the latest figures of the Bureau of Internal Revenue. Ten billions of this surplus is invested in tax-exempt securities of the United States Government and its possessions and Territories or political subdivisions and securities issued under the farm loan act.

These great surpluses were accumulated out of excess profits; the very fact that the surpluses are so large is proof that the profits that they made were too large. These profits were made from the buying power of the American people. These surpluses compose a part of the funds that were used in the stock market in 1928 and 1929, being brokers' loans "for account of others."

Many of these corporations have discharged their workmen and slashed the dividends on their stocks which they sold to the public—and still the great surpluses remain untouched. They are of no benefit to the public as they stand; it is questionable if they are of any great benefit to the corporations which hold them.

Taxes should be based upon capacity to pay. In these huge surpluses exist a definitely evident capacity to pay.

I propose a tax of 4 per cent upon all surpluses of corporations. These accumulated profits would have paid taxes to a far greater amount if they had been distributed as dividends when they were earned. If they had been so distributed, we might not have come to the depths in which we find ourselves to-day. To tax them now is not a capital levy; it is but the collection of a postponed tax and a measure of equal justice to those who have paid their full taxes. [Applause.]

These corporation surpluses of \$60,000,000,000 represent hoarding upon a far greater scale than the comparatively tiny sums which are said to be locked in safe-deposit boxes or in family socks. To release a part of these accumulations would be a great aid to the restoration of a prosperity which would swiftly produce profits far greater than the tax from a restored consumer buying power. [Applause.]

This is not confiscation. Four per cent of \$60,000,000,000 would be a tax of \$2,400,000,000—a great sum for the Federal Treasury in this emergency, but only seven-tenths of 1 per cent of the total capitalization of the corporations who now collectively hold this surplus.

I strongly urge that a 4 per cent tax be levied upon the undistributed surpluses of American corporations, and that cases now pending before the United States Board of Tax Appeals be hastened to conclusion and collection and that the Bureau of Internal Revenue be equipped to discover and collect all cases of tax fraud or evasion in which evidence can be obtained. [Applause.]

Mr. BLANTON. Mr. Chairman, will the gentleman yield?

Mr. McFADDEN. I will.

Mr. BLANTON. The gentleman speaks of some multimillionaires evading taxes. What multimillionaire in the United States is more interested, better informed, and better prepared to help along that line than our present Secretary of the Treasury? He is one who knows how himself; he does not need the help of a skilled lawyer to advise him, and he is the one who is advising some of our colleagues on our present tax bill, is not that so?

Mr. McFADDEN. The gentleman has answered his own question. [Laughter and applause.]

Mr. HILL of Washington. Mr. Chairman, I yield 30 minutes to the gentleman from Maryland [Mr. Lewis].

Mr. LEWIS. Mr. Chairman, ladies, and gentlemen, as one of your representatives on the great Committee on Ways and Means I found myself in disagreement with the majority with regard to some matters carried in the committee report of sufficient importance, in my opinion, to bring to your attention. But before, if I may, going into these points of disagreement I wish to emphasize what I conceive to be the major principle which should govern our deliberations in this difficult and serious matter.

This major principle, Mr. Chairman, is that it is our duty to balance the Budget; not balance it at some future, some more convenient and easy time, but balance it at the earliest possible moment. I would not postpone the date of the balancing, because after the severe shocks to its confidence which the country has already suffered in the world of private business, I fear that another shock to its confidence in the national finances, would prove indescribably disastrous.

Leaving the serious aspect of the matter for the moment, I think Micawber, whom you will remember as a Dickens character, expressed the philosophy applicable to our situation. You will remember that once in a soliloquy over his own insolvent estate, he remarked:

Annual income, twenty pounds; annual expenditures, nineteen nineteen six; result happiness. Annual income, twenty pounds; annual expenditures, twenty pounds aught and six; result misery.

Now, in balancing the Budget for the coming fiscal year, you know that some \$1,250,000,000 of additional revenue is called for. To what subjects of taxation can the Government look in its effort to gather this additional income? You have, first, the corporate incomes of the country running into the astounding figure of \$129,000,000,000, but after the legal deductions are made only about \$12,000,000,000 is left subject to taxation under our law, which is now subjected to 12 per cent tax and is to be increased to 13 per cent under the bill.

The next subject of taxation is individual incomes. They amount to some \$25,000,000,000 on the basis of the experience of 1929, but when the deductions or exemptions were attended to, this \$25,000,000,000 of individual income was reduced to the sum of \$7,500,000,000, upon which present income taxes and increases proposed are based. All the above figures are round and for the year 1929. They are much reduced, unhappily, in the current year.

Another subject of taxation is estate values. Something over \$4,000,000,000 is represented in the estate values passing from decedents as gratuities to those who are to become the beneficiaries. Under the present law, when the exemptions allowed are deducted from the \$4,000,000,000 only \$2,350,000,000 remains.

These, gentlemen, are the three subjects to which we should first look to recoup our falling Treasury incomes. I shall direct my attention to-day to one of them only, and that is the estate tax. Before approaching that subject, let me repeat a truism often referred to in this debate. It is, that while there are certain rules and canons of taxation, one standard ranks preeminent and is accepted as containing more wisdom than all the others, and that standard is that the burdens of government should be imposed upon its people, not in proportion to their needs, but in proportion to their ability to pay. [Applause.]

We were a very long time in the United States developing our institutions, particularly the constitutional power of this body, to such a point that that canon of taxation could be substantially applied. I am sure my Republican friends on the left will take no exception to a statement I am about to make—that the Democratic Party had to fight nearly a half a century to get the income-tax provision into the Constitution.

How far is this standard of just taxation, "ability to pay," realized in our system to-day? A cursory view of our methods of taxation shows that after 20 years only one-third of the revenue of the Government of the United States is secured under this standard of taxation. Two-thirds of the revenue are secured still by indirect taxation, condemned as less desirable by all public financiers whose works I have been able to consult on this subject.

Now we come, ladies and gentlemen, to the estate tax. What do we find the situation to be here?

Now, I hope I am not too presumptuous in saying that probably not one Member of Congress out of ten realizes the discriminations that are being practiced by the present law with regard to those who earn their income and pay an income tax, in comparison with those who receive, unearned by them, the benefits of the wealth transferred through the inheritance and testamentary laws. If you will have patience to hear a few mathematical details, I will be able to make that clear. You know that we have reduced the exemption until the highest one remaining of the income-tax benefits is \$2,500. Ladies and gentlemen, the exemption of \$100,000 is now allowed in the case of estates. The exemption on estates is thus forty times as great as the exemption (\$2,500) of those who pay from earned incomes.

Please listen to some examples of this discrimination under the bill. A railway engineer has an income of \$2,500. If he is unmarried, he is taxed on \$1,500. But the nephew of some decedent uncle, who has just left an estate of \$100,000, receives \$2,500 by gift or inheritance and pays no tax at all. Is this equality before the law? Another example: Some inventor or engineer awakes from the dreams of the night with a device or discovery to promote the common welfare and receives \$100,000 reward for it. He must pay a tax of \$26,770 or 27 per cent. But a beneficiary, the sole beneficiary, of some estate of \$100,000 receives his \$100,000, free of any tax at all. Who can deny the discrimination here? Who can justify it? The toiler must pay; the mere acquirer need not. This exemption was formerly limited to \$50,000. The present law raises it to \$100,000, and this is the exemption carried in the present bill. It applies without regard to the human relations involved. A total stranger or a third cousin gets the benefit of just the same exemption as a widow with a family of children. Gentlemen, there is no principle on which such an exemption can be supported. It represents nothing more than the neglect of the legislative mind. None of the State's exemptions can be referred to in its support. In New York they have an exemption, but it is adapted to the human relations involved.

May I add that in New York State an exemption is first allowed of \$20,000 from the estate tax in the case of a widow, \$5,000 more in the case of each of her children, with a string of \$5,000 exemptions for other relatives. The State legislature has handled the subject with a view to its human aspects. This body has gone blindly and granted a \$100,000 exemption, whether it should go to a widow and a half dozen infant children or whether it goes as a mere gratuity to a total stranger.

The above discrimination raises a question of justice and principle more especially, but its significance to the Treasury, I admit, is not great. But I now come to the discrimination in the application of the rates themselves.

DISPARITY IN THE INCOME AND ESTATE RATES

But, Mr. Chairman, the discriminations, unhappily for the Treasury, do not end there. After allowing the disparate exemptions to both income and estate taxpayers another set of discriminations are unconsciously carried in the law and the bill. Reading the income and the estate tax rates you find that the rate begins in the low bracket at 2 per cent for both; that is, \$1,000 of the net taxable would pay \$20 under the bill, whether income or estate. (That is, the low brackets are 2 per cent in each case.) So, too, the highest rates are the same for income and estates, for there is a maximum rate of 40 per cent on incomes and a maximum rate of 40 per cent on estates.

But now, gentlemen, I call your attention to a discrimination which is not paralleled in the history of taxation. The maximum rate of 40 per cent is applied to incomes when they reach \$100,000, but this 40 per cent is not applied to estates until they are one hundred times as great, until they reach \$10,000,000. That is, in order to collect the 40

per cent maximum on estates the income benefits to the distributees must be one hundred times as great. I now insert a table, the data of which have been supplied by Mr. Parker and his staff of the Joint Committee on Internal Revenue Taxation.

| (1) Taxable income and taxable estate | (2) Income-tax payment, revenue bill | (3) Estate payment, revenue bill | Income rate (per cent of (2) to (1)) | Estate rate (per cent of (3) to (1)) |
|--|---|-------------------------------------|--------------------------------------|--------------------------------------|
| | | | <i>Per cent</i> | <i>Per cent</i> |
| \$1,000..... | \$11.25 | \$12.00 | 1.13 | 1.20 |
| \$2,000..... | 23.75 | 24.00 | 1.44 | 1.20 |
| \$3,000..... | 46.25 | 36.00 | 1.54 | 1.20 |
| \$4,000..... | 63.75 | 48.00 | 1.59 | 1.20 |
| \$5,000..... | 82.50 | 60.00 | 1.65 | 1.20 |
| \$6,000..... | 117.50 | 72.00 | 1.96 | 1.20 |
| \$7,000..... | 152.00 | 84.00 | 2.17 | 1.20 |
| \$8,000..... | 192.50 | 96.00 | 2.40 | 1.20 |
| \$9,000..... | 227.50 | 108.00 | 2.53 | 1.20 |
| \$10,000..... | 300.00 | 120.00 | 3.00 | 1.20 |
| \$12,000..... | 465.00 | 144.00 | 3.88 | 1.20 |
| \$16,000..... | 855.00 | 192.00 | 5.34 | 1.20 |
| \$20,000..... | 1,325.00 | 240.00 | 6.60 | 1.20 |
| \$24,000..... | 1,875.00 | 288.00 | 7.81 | 1.20 |
| \$30,000..... | 2,850.00 | 360.00 | | 1.20 |
| \$40,000..... | 4,875.00 | 480.00 | 9.50 | 1.20 |
| \$50,000..... | 7,400.00 | 600.00 | 14.80 | 1.20 |
| \$60,000..... | 10,425.00 | 840.00 | 17.38 | 1.40 |
| \$70,000..... | 13,950.00 | 1,080.00 | 19.93 | 1.54 |
| \$80,000..... | 17,970.00 | 1,320.00 | 22.36 | 1.65 |
| \$90,000..... | 22,270.00 | 1,560.00 | 24.75 | 1.73 |
| \$100,000..... | 26,770.00 | 1,800.00 | 26.77 | 1.80 |
| \$150,000..... | 49,770.00 | 3,600.00 | 33.18 | 2.40 |
| \$200,000..... | 72,770.00 | 5,400.00 | 36.38 | 2.70 |
| \$300,000..... | 118,770.00 | 10,200.00 | 39.59 | 3.40 |
| \$600,000..... | 210,770.00 | 21,000.00 | 42.15 | 4.20 |
| \$1,000,000..... | 440,770.00 | 58,200.00 | 44.08 | 5.82 |
| \$2,000,000..... | 900,770.00 | 160,200.00 | 45.00 | 8.01 |
| \$3,000,000..... | 1,360,770.00 | 286,200.00 | 45.02 | 9.54 |
| \$4,000,000..... | 1,820,770.00 | 436,200.00 | 45.50 | 10.91 |
| \$5,000,000..... | 2,280,770.00 | 604,200.00 | 45.61 | 12.03 |
| \$6,000,000..... | 2,740,770.00 | 784,200.00 | 45.68 | 13.07 |
| \$7,000,000..... | 3,200,770.00 | 976,200.00 | 45.72 | 13.95 |
| \$8,000,000..... | 3,660,770.00 | 1,180,200.00 | 45.76 | 14.75 |
| \$9,000,000..... | 4,120,770.00 | 1,396,200.00 | 45.79 | 15.62 |
| \$10,000,000..... | 4,580,770.00 | 1,624,200.00 | 45.81 | 16.24 |

Note, gentlemen, that on the first \$1,000 the income-tax payer pays \$11.25 and the estate \$12—that is, 1.13 per cent and 1.20 per cent, respectively. At \$10,000 the income payment is \$300, the estate is \$120, about 2½ to 1. When \$20,000 is reached the disparity is nearly 6 to 1, the income paying \$1,325 and the estate only \$240. At \$50,000 the income payment is \$7,400, the estate \$600, or 12 to 1. At \$100,000 the sum of \$26,770 is paid, as compared with \$18,000, or over 14 to 1. At \$1,000,000 the income pays \$440,770 and the estate only \$58,200. And at \$10,000,000, where the nominal maxima of 40 per cent come together, the income pays \$4,580,770 and the estate \$1,624,000—that is, 16 per cent, or about one-third as much.

These discriminating disparities mean an abandonment of all just principles in taxation, I submit. But what, may I ask, do they mean to the Treasury in the worst peacetime exigency it has known for a century. Well, gentlemen, they mean that if only the same rates are applied to estates that are applied to incomes in this bill the yield will be increased from \$255,324,000 to \$969,440,450, an increase of \$714,116,540.

I know you marvel at the enormity of this disparity. The computations are the work of the staff of experts of the Joint Committee on Internal Revenue Taxation, and I now am presenting the table prepared by this official authority on the subject:

JOINT COMMITTEE ON INTERNAL REVENUE TAXATION,
Washington, March 16, 1932.

Hon. DAVID J. LEWIS,

House of Representatives, Washington, D. C.

MY DEAR CONGRESSMAN: In accordance with your request computations have been made of the amount of revenue that would be raised from the Federal estate tax by applying the income-tax rates of the revenue bill instead of the estate-tax rates carried in the bill and allowing an exemption of \$50,000 instead of \$100,000. Tables are attached showing the estimated yield from the estate tax if the income-tax rates were applied in comparison with the yield from the estate tax under the 1928 act and the revenue bill as proposed.

Very truly yours,

L. H. PARKER, Chief of Staff.

Comparison estate tax

| Average net estate before exemption | Estimated number of estate tax returns | Estimated total net estate before exemption | 1928 act | | | Proposed bill | | | Estate tax if income-tax rates of revenue bill were applied | | |
|-------------------------------------|--|---|-------------|-------------|---|---------------|-------------|---|---|-------------|---|
| | | | Average tax | Total yield | Per cent of average tax to average net estate | Average tax | Total yield | Per cent of average tax to average net estate | Average tax | Total yield | Per cent of average tax to average net estate |
| \$70,000 | 7,500 | \$525,000,000 | | | | | | | \$1,260 | \$9,450,000 | 1.80 |
| \$120,000 | 1,835 | 220,200,000 | \$200 | \$367,000 | 0.16 | \$400 | \$734,000 | 0.33 | 13,260 | 24,332,100 | 11.05 |
| \$170,000 | 850 | 144,500,000 | 900 | 765,000 | .52 | 1,800 | 1,530,000 | 1.05 | 35,060 | 29,801,000 | 20.62 |
| \$240,000 | 975 | 234,000,000 | 2,700 | 2,632,500 | 1.12 | 5,400 | 5,265,000 | 2.25 | 67,290 | 65,578,500 | 28.02 |
| \$350,000 | 755 | 266,900,000 | 7,700 | 5,813,500 | 2.02 | 15,400 | 11,627,000 | 4.05 | 131,660 | 99,403,300 | 34.64 |
| \$700,000 | 658 | 460,600,000 | 22,500 | 14,805,000 | 3.21 | 45,500 | 29,610,000 | 6.50 | 278,860 | 183,489,880 | 39.78 |
| \$1,200,000 | 205 | 246,000,000 | 56,500 | 11,582,500 | 4.70 | 113,300 | 23,165,000 | 9.44 | 508,860 | 104,316,300 | 42.40 |
| \$1,700,000 | 108 | 183,600,000 | 97,500 | 10,530,000 | 5.73 | 195,000 | 21,060,000 | 11.47 | 738,860 | 79,796,880 | 43.46 |
| \$2,200,000 | 64 | 140,800,000 | 143,500 | 9,184,000 | 6.52 | 287,000 | 18,368,000 | 13.04 | 968,860 | 62,007,040 | 44.03 |
| \$2,700,000 | 37 | 99,900,000 | 194,500 | 7,196,500 | 7.20 | 389,000 | 14,393,000 | 14.40 | 1,198,860 | 44,357,820 | 44.40 |
| \$3,200,000 | 14 | 44,800,000 | 250,500 | 3,507,000 | 7.82 | 501,000 | 7,014,000 | 15.65 | 1,428,860 | 20,004,040 | 44.65 |
| \$3,700,000 | 16 | 59,200,000 | 311,500 | 4,984,000 | 8.41 | 623,000 | 9,968,000 | 16.83 | 1,658,860 | 26,541,760 | 44.83 |
| \$4,400,000 | 23 | 101,200,000 | 405,500 | 9,326,500 | 9.21 | 811,000 | 18,653,000 | 18.43 | 1,980,860 | 45,559,780 | 45.01 |
| \$5,400,000 | 12 | 64,800,000 | 548,500 | 6,582,000 | 10.15 | 1,097,000 | 13,164,000 | 20.31 | 2,440,860 | 29,230,320 | 45.20 |
| \$6,400,000 | 8 | 51,200,000 | 701,500 | 5,612,000 | 10.96 | 1,403,000 | 11,224,000 | 21.92 | 2,900,860 | 23,206,880 | 45.32 |
| \$7,400,000 | 7 | 51,800,000 | 864,500 | 6,051,500 | 11.68 | 1,729,000 | 12,103,000 | 23.36 | 3,360,860 | 23,526,020 | 45.41 |
| \$8,400,000 | 5 | 42,000,000 | 1,037,500 | 5,187,500 | 12.35 | 2,075,000 | 10,375,000 | 24.70 | 3,820,860 | 19,104,300 | 45.48 |
| \$9,400,000 | 2 | 18,800,000 | 1,220,500 | 2,441,000 | 12.98 | 2,441,000 | 4,882,000 | 25.96 | 4,280,860 | 8,561,720 | 45.54 |
| \$10,400,000 | 15 | 156,000,000 | 1,413,500 | 21,202,500 | 13.59 | 2,827,000 | 42,405,000 | 27.18 | 4,740,860 | 71,112,900 | 45.58 |
| Total | | 3,131,300,000 | | 127,770,000 | | | 255,540,000 | | | 969,440,540 | |
| Less amount for States | | | | 102,216,000 | | | 102,216,000 | | | 102,216,000 | |
| Net amount for Federal Government | | | | 25,554,000 | | | 153,324,000 | | | 867,224,540 | |

You ask, naturally, why should there be such a disparity, why the beneficiaries of unearned, even if worthy, income should be preferred in this fashion. I think there could have been no conscious purpose to do so in the mind of Congress, because elsewhere in the act you do not find earned income discriminated against; you find it preferred, with a certain discount in its favor up to \$12,000 in amount. The explanation of the disparity between the estate beneficiary getting \$50,000 and paying \$1,000 and the earned income taxpayer paying \$7,750 on the same amount was not intended. My explanation is that the fixing of the point of application of the 40 per cent rate was a mere impulse of some one in charge of the subject. It could not have happened by comparison—the comparison is grotesque. Using a physical illustration, in the case of earned incomes the citizen pays his 40 per cent rate on a 1-story building, while in the case of unearned income, passing by force of the law, another citizen is not required to pay his 40 per cent rate until his structure reaches 100 stories. The consequence of the postponement of application of the 40 per cent tax in the case of estates to the \$10,000,000 point, instead of applying it at \$100,000, as in the case of incomes, is a loss to the Treasury of \$714,000,000. It has done more to wreck the Treasury than any other cause.

I think I know, or can understand, the psychology which accounts for what I have characterized as a discrimination in taxation utterly not found elsewhere and unparalleled in history.

The approach to the subject may have been social in purpose and not the approach of a public financier desiring to secure revenues needed by the Government in a wise and just way. Pictures of millionaires are presented to the social reformer. Put the rates high on the great fortunes, he says. His rates are conceived and formulated perhaps in the rostrum. It is a picture, not a mathematical formula he is regarding. The idea of millions takes his mind to New York. He looks out at the sky line of the city of New York. What is the picture at once presented to his mind? It is a picture of towering sky scrapers, so when he looks out on this field of income and wealth in the United States he sees a picture of towering multimillionaires or billionaires. But let me say to you that New York is not a town of 100 stories, it is not a town of 50 stories, it is not a town of 10 stories. New York, taken all in all, is a 5-story town, and if the authorities of that city should think only of skyscrapers, without regard to the great body of its wealth, only bankruptcy could be waiting for the great metropolis.

And so it is in this field of income and wealth. There are skyscraper incomes and estates, but the great body of the income belongs to the middle classes, and it is to them the Government must look for support and sustenance.

These figures I have presented to you are phenomenal, I know. If they were my own I should hesitate, because of their great dimensions, to present them. I asked the Joint Committee on Internal Revenue Taxation, which serves alike the Finance Committee of the Senate and the Ways and Means Committee of the House as its official counselors in taxation and revenue, to give me a statement of what the revenue would be if the same rates were applied to estates as to individual incomes. Here is a table giving their report. Their answer is that if estates were taxed, even after allowing \$50,000 exemption, at the same rates and in the same manner as individual incomes are taxed under this bill, an increase of revenue over that expected by this bill of \$714,000,000 would result; and that is after making allowances for the present payments back to the States, and also allowing for the revenue of \$255,000,000 expected under this bill. A net increase would be available to the Treasury of \$714,000,000 if we would here apply the principle of equality in taxation to the unearned amounts going to beneficiaries by virtue of the law and in the same spirit of fairness and equality that we apply it to the earned individual income. [Applause.] And this can be done without changing the rates. This great difference arises not in the rates. It arises because of the deferred or postponed point at which the 40 per cent rate is applied to estates. The only change in the statute that is required is a shift of the 40 per cent rate in the case of estates to the \$100,000 point where it is found in the case of individual earned income. The 2 per cent minimum rate and the 40 per cent maximum rates will remain unchanged.

Mr. RAMSEYER. Will the gentleman yield?

Mr. LEWIS. I yield.

Mr. RAMSEYER. Just to get clear what the gentleman is proposing, the gentleman is proposing an exemption of \$50,000?

Mr. LEWIS. Yes.

Mr. RAMSEYER. Then over the exemption the gentleman would adopt the income-tax rates, with the same brackets?

Mr. LEWIS. The same brackets.

Mr. RAMSEYER. So that the 40 per cent would apply after you get over the \$100,000, plus the exemption?

Mr. LEWIS. Yes.

Mr. RAMSEYER. That is up to \$150,000, with the exemption?

Mr. LEWIS. Yes.

Mr. RAMSEYER. Everything above \$150,000 would be taxed 40 per cent?

Mr. LEWIS. Everything above \$150,000 would be taxed just like incomes above \$100,000.

What happens now is this, that by deferring the application of this 40 per cent rate to the ten million point in one case, whereas it is \$100,000 in the other, that is an altitude one hundred times as great; the income-tax payer is paying at the rate of 45 per cent, and estates only paying 16 per cent.

Now, it would not seriously matter whether the estate exemption is \$50,000 or \$100,000, whether the point of application of the 40 per cent rate should be made \$200,000 in the case of estates rather than \$100,000; the difference in the resultant revenue would be negligible; but to defer this maximum 40 per cent rate in the case of estates to a point one hundred times as high as in the case of incomes explains why our estate revenue laws are practically barren of revenue.

Mr. LAGUARDIA. Will the gentleman yield?

Mr. LEWIS. I yield.

Mr. LAGUARDIA. I have followed the gentleman very closely. Has the gentleman considered the levying of such a rate where the estate consists of a factory or where the entire estate is in a going concern?

Mr. LEWIS. That condition is now involved and will obtain under any rate that is imposed. The estate tax is now imposed on the same subjects. It is a matter of degree. I doubt whether it is a serious matter of degree. The only question presented here is not a change of the rates but is whether the 40 per cent rate should be applied at the same place in the case of earned and unearned incomes.

Mr. BARBOUR. Will the gentleman yield?

Mr. LEWIS. I yield.

Mr. BARBOUR. Following the question asked by the gentleman from New York [Mr. LAGUARDIA], for instance, in an estate that consists almost entirely of assets that are not readily convertible, what would be the effect of the gentleman's proposition on an estate of that kind?

Mr. LEWIS. Not different in character from that now obtaining. Whether the estate pays 16 per cent, as it does now under this discriminating policy, or whether it pays 45 per cent like incomes, the effect will be the same. The adjustment must take place, and I am told that plenty of time is allowed decedent estates for the adjustment of these particular matters.

[Here the gavel fell.]

Mr. HILL of Washington. Mr. Chairman, I yield to the gentleman from Maryland 10 additional minutes.

Mr. BARBOUR. May I ask the gentleman another question?

Mr. LEWIS. Certainly.

Mr. BARBOUR. Would it necessitate, in certain instances, almost the entire breaking up of the estate in order to pay these taxes?

Mr. LEWIS. The gentleman is as well informed as I am, but I can not see that the principle is changed. You go to them for 16 per cent. Very well. You go to them for as much as you go to the others. Very well. The same subject matter is there; the same human; the same physical factors are involved.

Mr. BARBOUR. I am very much interested in the gentleman's statement, and this question has just occurred to me.

Mr. LEWIS. I am assured by those acquainted with the subject that the Treasury has ample power to give them 1 year, 2 years, 3 years, any time that is necessary to properly adjust those situations. I will append an official statement on the subject.

Mr. GREENWOOD. Will the gentleman yield?

Mr. LEWIS. I yield.

Mr. GREENWOOD. I am informed that in England they do not have a sales tax, but last year they collected in estate taxes \$400,000,000.

Mr. LEWIS. That is, they collected \$10 per capita in estate taxes and we collected \$1.20 per capita here. What pauper fortunes we must have in America.

Mr. GREENWOOD. Last year the Treasury reported that the United States, with four times the aggregate wealth of England, collected \$48,000,000 as against \$400,000,000 in England.

Mr. LEWIS. Yes; but this does not allow for the 80 per cent returned to the States.

Mr. LAGUARDIA. And we call ourselves a democracy.

Mr. KELLER. Miscall.

Mr. LEWIS. Mr. Chairman, behold the fruits of discrimination in taxation! The fruit in this case is a loss of \$714,000,000 to the Treasury in the fiscal year 1933. And because of that departure from the accepted principles and equality in taxation, in what a situation are we involved? Let us abandon this discrimination and return to the just path of taxation, the standard of ability to pay, and firmly shun the field of indirect taxation. In my view there are two objections to this indirect taxation. The first is, as in the case of the sales tax, that the tax collected by the Government will not represent truly or fully the tax paid by the ultimate taxpayer. You can add 66 per cent to this \$600,000,000 of sales tax, as a pyramiding effect, unavoidable in view of the business margins naturally applied in distribution, before the consumer pays the tax. [Applause.] That figure of 66 is not just a mere rhetorical expression. It is the result of much study on the subject of margins.

There is another objection to indirect taxation—it is its low visibility. Low visibility is the touchstone of those seeking special privilege. I am afraid it presents a temptation under which candidates, like ourselves, are liable to prove less strong than we should be.

The sales tax has low visibility. The tariff is also a sales tax, has a low visibility, and witness the wreck of world commerce which these tariffs have helped to produce. [Applause.]

We have not reached such a state of perfection in democratic government, my friends, that we can afford to employ such hidden taxation, denying knowledge to those who pay as to what the tax is or as to its amount. Low visibility means extravagance and carelessness in government. It is true it prevents squealing. The animal may suffer; the animal may perish at length without any knowledge of the agencies which are inflicting the mortal wound upon it. [Applause.]

To what is this abandonment of equality in taxation and of direct taxation leading us? It is leading us straight into this sales-tax method of raising the revenue.

My friends, there are circumstances, I admit, under which indirect and invisible taxation may be justified. There are countries, perhaps even now, so poorly advanced that their citizens will not pay their debts to the Government, will not pay the taxes they should be willing to pay for the protection accorded them by the government.

I think of China at this moment. It may be possible that direct taxation is beyond the powers of government in China; yet we know that the incomparable importance of the preservation of government and of law and order would justify any kind of taxation that might be essential to maintain that incomparable value.

But let me ask this question this afternoon: Is the country of Washington another China? Are we Chinese law-makers? Will the citizen of this Republic be unwilling to pay his obligation for the protection of Government according to just standards? Is he going to ask that we resort to invisible methods of sustaining the Republic we all love? No; this is not China! We are not Chinese statesmen. I have the fullest confidence that when this subject is examined by Members of this body in a sufficiently thoughtful way we will recur to the old path of taxation, which means justice and equality to all concerned and ample revenue for our country. [Applause.]

TIME FOR ADJUSTMENT OF ESTATE TAXES

Under the Federal estate tax law the estate tax becomes due one year from the date of the decedent's death. How-

ever, the Commissioner of Internal Revenue may, upon showing of hardship, grant an extension of time for the payment of the tax, as follows:

In the case of the tax as reported by the executor, the commissioner may grant an extension of time not to exceed five years from the date the tax was due. This means that the estate may have a period of six years from date of decedent's death to pay the tax. And for the first six months of an extension no interest is charged. Therefore, for a period of 18 months from the time of decedent's death the Government collects no interest. After the first six months of the extension interest is charged at 6 per cent.

In the case of any additional tax found by the commissioner, he may grant an extension of the time for payment not to exceed two years from the date notice and demand is sent to the executor for payment of such additional tax. Interest at 6 per cent is charged for the entire period of the extension in the case of any additional tax found.

Mr. CHINDBLOM. Mr. Chairman, I yield half a minute to the gentleman from New York [Mr. SNELL].

Mr. SNELL. Mr. Chairman, I just want to make an announcement. Quite a number of Republicans have expressed a desire for a conference in regard to this tax measure. Several have signed a petition, and I want to announce that there will be a conference of Republicans in this room to-morrow evening at 8 o'clock. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield 15 minutes to the gentleman from Illinois [Mr. KELLER].

Mr. HILL of Washington. Mr. Chairman, I yield the gentleman from Illinois 15 minutes.

Mr. KELLER. Mr. Chairman, I have but one object in addressing this body, and that is to get clearly before us a series of ideas that will lead to the restoration of national income. If we can restore national income we will then have no difficulty whatever about revenue.

To enable me to express my ideas fully on this subject I want to call your attention to the fact that when we assembled here on the 7th day of December we were faced immediately with a whispering campaign telling us that if we knew the condition of the country we would be scared almost to death. I listened attentively to it. I abided by the decision of the men of long experience here. I had nothing to say. I doubted the wisdom of it, nevertheless, because it is my opinion that the people of my district and the people of every other district in America are just as good patriots, just as intelligent and just as capable of keeping their heads under difficulties as we are. I know that if the men and women in my district knew they were facing difficulties they would face them like full-grown men and full-grown women; that they would not under any conditions lose their heads, nor do foolish things. On the other hand, they would do what all men try to do under pressure, and that is to sit a little bit tighter, be a little bit stronger, a little more conservative than ordinary, and when a national matter is involved, a little more American than at any other time.

I, therefore, for the first 60 days did not attempt to impose myself upon the time of this body. On the 26th of February, I was accorded an unusual time for a new Member. I gave on that day my opinions as fully as possible, and in the RECORD of that date anyone who is interested in it will find the entire address. I am not going to repeat that to-day. I am going to try to speak very well within my time and much within it if I can.

But to enable me to get over to you the facts as I see them in America at the present time, it is necessary that I go back to the condition just before the stock panic occurred on the New York stock market on the 24th day of October, 1929, in order to call your attention to the fact that during the seven years in which we had currency stabilization we had no financial or economic difficulties. If the Congress had done its duty there would have been no panic with the subsequent depression.

I happen to know personally—and I speak entirely without partisanship, and I speak entirely impersonally—that the President of the United States was fully informed and thoroughly well warned of the impending danger, in the month of May, 1929. I call your attention to that fact for this reason: I do not know of a single thing the President did to avert that panic or to alleviate the result afterwards.

If it be not the fault of the President, let us not lay any fault at his door. If, on the other hand, there were means at his command, then we ought to call him to account for not attempting at least to prevent that catastrophe.

I listened with tremendous interest to the address of the gentleman from Pennsylvania, to which I am going to refer a little later in my own talk, and that is as to the broker's loan, the effect of it, the reason for it, and what it has done to America. In other words, what I am driving at is this: If at the present time we have no means of averting panics, the first duty we owe to our country is to provide the means for averting panics hereafter, and we can not get away from that. It is, in my judgment, a disgrace to the intelligence of this country, the richest country on earth, with an abundant supply of everything, that we should have such poverty, distress, and destitution in this country at the present time. It can not be less than a disgrace to our intelligence, and our first duty is to see that this does not occur again.

Immediately after the crash on the New York stock market, the President called together at the White House a considerable number of the captains of industry. I read very carefully to see if there was one question asked or one statement made in that entire meeting setting forth the reason or the cause of that panic; and so far as I know, not a solitary man volunteered the answer, and so far as I know no one asked the reason. Yet this is exactly what ought to have been done first. The reason I am calling your attention to that fact is simply this: During the past 10 or 11 years, at least, we have been obeying, governmentally, the extremely wealthy men of this country, and doing their bidding and taking orders from them. It is a question whether we can go on doing that and survive. Frankly, I doubt it.

The President, very naturally, I presume, has attempted to distract attention from conditions as they are, but it is my duty and yours to face them.

The President pointed out, first, as his reason for the panic and the subsequent depression, the statement that there was overproduction. There could not have been overproduction in all 550 commodities, so that would not hold water, and because everybody knows that where there are millions of hungry people there is no such thing as overproduction of food; and where there are millions of naked people, there is no such thing as overproduction of clothing. When that would not stand up the President laid it on to the war. When that suggestion failed, he called attention to the conditions of panic in Europe. At the end of about a year and a half we are faced with the statement that it is a world-wide panic; that it is no fault of our own.

Oh, what a lovely thing it would be if we could sit back and say, "We did not do it; those fellows over in Europe did it; they brought on these bank failures; they put us all broke."

Of course, this would be an extremely easy way out of it. It may be an entirely honest way, but, certainly, not the intelligent way. What we ought to do and what we must do is to face the facts as they are.

I call your attention to the fact that in Europe there are just two main countries that are in depression at the present time and no more. They are Great Britain and Germany. All the rest of the countries of Europe, with the exception of the small Balkan States, are in very excellent condition economically, and there is no appreciable unemployment in any of them except the two large countries mentioned. The countries in Europe that are to-day doing much more than 50 per cent of the entire business of Europe are in splendid condition financially, and the proof of it lies just here.

I call your attention therefore to these facts: The total bank failures in Germany from October, 1929, to the most recent figures available on that subject amount to 25. Of that number 19 were private banks with very small capital, and only 6 of them would be classed as banks in this country.

Now, what about France? In France there were 23 bank failures.

Mr. MICHENER. Will the gentleman yield for a question?
Mr. KELLER. Oh, surely.

Mr. MICHENER. The gentleman speaks of Germany; I am not familiar with the banking system in Germany, but do they not have, generally speaking, the chain system of banking so that it is impossible for one bank to fail if it belongs to a chain unless they all fail and the ones the gentleman has pointed out are just a few little private banks individually operated here and there?

Mr. KELLER. Let me say to the gentleman that I would prefer, of course, for the first 15 or 20 minutes of my talk to address my talk to the regular line of my argument and then come back and answer any questions that the gentleman may like. I would be glad, surely, to answer any question, so far as my knowledge goes.

I am only calling your attention to the facts, and the gentleman may make whatever application of them he pleases, of course, and I shall do the same.

But, in France there were 23 bank failures during the same period. Of the 23 bank failures of France, 8 were private banks of small or unknown capital. The actual number of bank failures in France therefore was 14.

Put together it means this, gentlemen, that in Germany there were 6 actual bank failures, and in France there were 14 actual bank failures in this period, and in Great Britain not a solitary one.

What about the United States during the same period? During this period in the United States we had 4,264 bank failures. The total amount involved in these failures in the United States was about \$2,800,000,000.

If our panic is due to Europe—bank failures are certainly contagious.

I just call your attention to this, gentlemen, because we can not go on laying this condition to Europe and get anywhere with it. We can not solve it unless we bring it home where it belongs and face it like real men, and then see if we can not solve it. I invite every man of every party to assist in this, and I assure you that if the President of the United States to-morrow should announce a plan, a rational plan, to restore the national income, he would not have a better supporter in this body than I would be. I invite him to do this, and quit fooling around trying to lay this on the rest of the world. They are not guilty. It is our panic. We must pay for it, and we must solve it and prevent the return of panics.

The next thing I want to call your attention to is this. I agree with the speakers who have just preceded me, and with practically all other speakers that we have had, that if we can, we must balance the Budget; that is, make our income equal to our pay-out. This is a good thing to do, if we can do it rationally.

But if we balance this Budget with dollars worth 150 cents we will continue the betrayal of the American people which began in 1929 and has continued until this day.

And even if you do perpetrate this imposition upon the American public, I say to you that you can not balance the Budget by taxation. You can not balance the Budget, nor keep it balanced until you put men to work creating wealth.

We all understand fairly what an unfortunate position we are in, but I am not able to join those of my colleagues who, from the opening of Congress, have accepted a poverty complex for the United States. I have listened to a great many hopeless speeches. I hear almost every day that unless we balance the Budget we are bound for perdition, governmentally speaking, and a great many do not think we can balance the Budget anyway.

Unless this Congress soon recovers from its poverty complex it will be necessary for us to establish an official walling wall against which to lean as we weep and howl. The fact is we are only poor because we are idle. We are screeching and screaming over a very ordinary business matter. Every business man has had the experience of losing money, that is, not making both ends meet during the year or a series of years. Under these conditions he has done a very natural thing. He borrowed money to tide himself over. He did not get excited at all. He first sat down very calmly and figured out why he had lost money and where; then he figured out how to make money the next year; when he had

done that he borrowed what he needed and went ahead. Many a business man has found out that he was simply losing money because he was underfinanced. He did not weep and wail and tell the world how sure he was of going broke—not at all. He just made sure of getting plenty of money and doing business as it ought to be done for the next year and went in and won.

The United States is in the same position. We ran behind last year; we are sure to run behind this year; and we are told by our bookkeepers, the Secretaries to the President of the American Nation (Inc.), that unless we do better we are going to run behind next year. This Congress is the board of directors. It is our business to provide ways and means of making both ends meet. So far we have been so badly scared that we have entirely forgotten to find out why we lost so much of our national income. No committee has been appointed to investigate that most important matter of all, although I have been seeking the appointment of such a committee since the opening day of this Congress. So we are running rings around ourselves not knowing what caused it all. The President of the American Nation (Inc.) asked assistance for financial institutions to the extent of \$2,000,000,000.

Now, this Congress, this board of directors, hurried behind closed doors to obey his insistent instructions. It did not seem to occur to anyone to suggest that any administration which would permit the business of the country to run so largely behind already, and facing the certainty of going much further behind this and next year, is not a safe adviser to follow. He did not tell us why this has all happened at all, and we did not ask him why. Just why we should rush through the measures for curing a condition suggested by an official who has so signally failed in preventing these misfortunes has been a matter of wonderment to me.

Now, I have set out this business of government purely as a business matter for the purpose of looking at it rationally. And what conclusion must we draw. First, that unless we take it for granted that we know why we are in this condition our first duty is to set about finding out why. When we actually find out why we are so poverty-stricken there will be no difficulty in prescribing the remedy. But pending that investigation—if it shall ever come—I am attempting by the process of elimination to discover at least the primary reasons for our present misfortune.

During this period of economic storm the citizens of this country gradually lost confidence in its financial institutions and started hoarding their money. The President finally called another conference. To discover why people were hoarding? No! That question, so easily answered, apparently was not discussed. Instead, they determined it was unpatriotic for the people to attempt to preserve what little wealth they still retained by hiding it.

The importance of cash is that in itself it bears no interest. So no one can really afford to hoard it except under those conditions where it is actually worth more while hoarded than when invested.

Now, to make the importance of that fact plain, let me call to your attention that when the credit stream is flowing free and undisturbed money, currency, actually draws no interest, so that every day a man carries a dollar uninvested he simply loses the interest on that dollar. Therefore the wise man carried as little cash as possible. But there is another feature of this that must be considered. The moment the panic struck Wall Street the intuition begotten by past experience caused him to grab his cash for purposes of security. He felt that disaster was abroad in the land. He began pinching dollars. Everybody did. The result was that the value of the dollar began going up. It increased from 103 cents up to 150 cents—47 cents in 26 months. The result was that the man who kept his currency entirely safe in a safe-deposit box or his pocket, or anywhere out of investment, out of use, made 21 per cent per annum on every dollar he kept out of use. Now, it ought to be perfectly plain to everyone that that is four times as much as the ordinary rate of interest. It therefore follows that as long as men can make more by not investing their money

than they can by investing it, they naturally will not invest it.

On the other hand, let us suppose we should at once set about supplying an abundance of cash for all purposes at reasonable rates, so that anybody who can furnish security could have all the cash he needs at say 6 per cent. What result would necessarily follow. Certainly this: The man who had held onto his dollar while it increased 21 per cent per year would lose that whole gain unless he invested it. And that is exactly what a sane sensible man would do. As soon as he saw that money would be provided to meet all requirements to the full restoration of the price level of 1926—in short if he saw that his 150-cent dollar would drop rapidly to 100 cents he would buy something at once. Because he would know that object, that commodity would at once increase $33\frac{1}{3}$ per cent in value, so that when he desired to sell he could get a dollar and a half in 100-cent dollars. And that is exactly what will happen if we are wise enough to supply sufficient cash to meet all demands up to the price level of 1926—every commodity will come back to that price level; all property will return to the price of that year. We are making a mistake at the present time to talk credit because credit is so impaired that we must have an abundance of that thing which is the basis of credit—cash. Investment will not follow anything else until credit is fully restored, the credit stream fully reestablished and made permanent by an adequate guaranty to everyone who makes his money a part of the national life by pouring it unreservedly into the stream which makes commercial life exist.

The man who is or has been living on and consuming his savings is paying the highest possible capital levy. It is forced confiscation of his property. It is the very thing against which the rich people of this country stand in such holy terror in relation to their own large fortunes. If they are wise they will understand that a capital levy is just as fair for one as it is for another. And when a sufficient number of people have been impoverished by capital levies consuming their savings they will demand that the capital levy idea be extended to the capital of the rich also. Unless the rich want to face a capital levy for themselves they will do well to make such sacrifices of income as will protect their capital.

For the reason that I have here pointed out, it ought to be perfectly obvious that if we are as serious about the welfare of the American people as we claim, that if we are concerned about the honor of our Government and its credits, we should be no less concerned with our honor in balancing the Budget with honest dollars. We must not balance the Budget in 150-cent dollars; they are not honest dollars. It is high treason to the debtor classes, and who is there to say that after nearly three years of the worst economic storm in our entire history the debtor class of our citizens is not the large class by many millions?

Now, I want to talk to you about the deficit. You would gather from the speeches made here from time to time that there never had been a deficit before in the United States. I would believe, if I had listened to the gentleman who preceded me that if we did not collect enough money to pay our debts this year, our credit would be completely ruined, and we would never get over it.

Let us see about that. In my investigation I have not gone back of 1858. But in the 74 years from 1858 up to and including 1932 we have had 28 annual deficits. Now, get that, gentlemen. Some say, "Oh, well, some of those years were war years." Yes; there were 10 war years. But taking out the 10 war years, what do you have left? It leaves in the remaining 64 peace years, 18 annual deficits. In other words, taking the whole period of 74 years, we have had an annual deficit every 2 years and 8 months during that 74 years.

Mr. McGUGIN. Will the gentleman yield?

Mr. KELLER. Certainly.

Mr. McGUGIN. During the period of deficits, have you any illustration, like the deficit of 1930, when one year was worse than the preceding year and reaching the staggering sum of \$2,000,000,000?

Mr. KELLER. Yes; in 1917, 1918, and 1919 we had deficits of \$1,700,000,000, \$9,268,000,000, and \$13,238,000,000.

Mr. McGUGIN. My question refers to peace time.

Mr. KELLER. I do not know that I have run that over.

Mr. PARSONS. Will the gentleman yield?

Mr. KELLER. I yield.

Mr. PARSONS. Between 1892 and 1896, when Treasury notes were issued in the amount of \$250,000,000, on February 21, 1893, how did the wealth and capital income compare with the present time?

Mr. KELLER. I have not made any comparisons along that line, but I am going to submit a list of deficits for the information of the House, and I am sure you will be glad to have it.

During the 10 war years we had a deficit all the time. During the 64 peace years we had deficits 18 years. During each administration period we had a little more than one year's deficit for each administration from 1858 to the present time.

Mr. RAGON. Can the gentleman furnish us with the information as to what our public indebtedness was at the time of these deficits?

Mr. KELLER. I will be very glad to work that out and bring it in here and put it in the RECORD if I can get the time. I have only one illustration for you now. The idea that it will ruin our credit if we do not immediately balance the Budget is fallacious.

Let us look at it. During 1917, 1918, and 1919 a total deficit of \$24,256,000,000 in the three years' period.

Did that ruin our credit entirely? Did it swamp us? Did it make the people lose faith? On the contrary, it convinced the people that there is no such thing as ruining the credit of the United States as long as our indebtedness is only 6 or 7 per cent of our national wealth.

Mr. MICHENER. But at that time economic conditions were entirely different from what they are now. Market prices were higher, labor prices were higher, and now there is overproduction, and buying power is limited.

Mr. KELLER. I thank the gentleman for calling attention to the very thing that I am trying to make plain. We have got to restore those conditions. We must restore commodity prices. We must restore wages. We must put men to work. That would restore buying power, and nothing else will.

Increases in public debt, year ending June 30, 1853-1931

| Year: | Amount |
|-----------|----------------|
| 1858..... | \$16,212,049 |
| 1859..... | 13,584,957 |
| 1860..... | 6,345,450 |
| 1861..... | 25,738,586 |
| 1862..... | 433,595,538 |
| 1863..... | 595,595,726 |
| 1864..... | 696,057,133 |
| 1865..... | 862,098,198 |
| 1866..... | 77,834,917 |
| 1878..... | 51,658,412 |
| 1879..... | 139,494,328 |
| 1894..... | 55,466,051 |
| 1895..... | 80,015,303 |
| 1896..... | 125,816,230 |
| 1897..... | 4,064,363 |
| 1898..... | 5,949,350 |
| 1899..... | 203,957,641 |
| 1906..... | 10,165,875 |
| 1907..... | 4,655,223 |
| 1908..... | 30,512,210 |
| 1911..... | 7,044,968 |
| 1912..... | 39,853,568 |
| 1915..... | 3,028,668 |
| 1916..... | 33,881,500 |
| 1917..... | 1,750,473,017 |
| 1918..... | 9,268,010,134 |
| 1919..... | 13,238,405,700 |
| 1931..... | 616,176,844 |

Mr. MICHENER. And the balancing of the Budget is the very thing that is necessary to do that.

Mr. KELLER. We did not balance it during those years.

Mr. MICHENER. For the reason that I have suggested.

Mr. KELLER. Very well. Let me suggest to the gentleman that if we could stand a deficit of \$24,000,000,000 plus

in three years we ought not to be scared to death over \$600,000,000.

Mr. MICHENER. Does not the gentleman think, if he were a farmer—

Mr. KELLER. I happen to be.

Mr. MICHENER. And times are prosperous, that he can stand something in the way of a mortgage or expenditure that he can not stand when times are not prosperous?

Mr. KELLER. Let us bring back prosperous times. That is the only reason that I am talking. I want to bring back prosperity, and I want the gentleman to help me.

Mr. MICHENER. I beg the gentleman's pardon; I will not interrupt any longer, but sit back and let the gentleman bring back prosperity.

Mr. KELLER. I can not do it if the gentleman and other gentlemen will not help me. I am appealing to you to help me to do it. I do not mean to say that we are not going to balance the Budget. We are, because it is a simple matter to do.

I want to call your attention to some more facts because I know this body likes plain, unadulterated facts, and I have been digging a little bit. You would get the idea that the income tax is just about to eat us all up, completely and entirely destroy the wealth of the United States. The truth of the matter about our income tax is simply this—that one-half of the income which under the intent of the law should be paid into the Treasury is not being paid into the Treasury. Even under the betterments and improvements which these gentlemen are making in this law—and I compliment the committee on the splendid improvements they are making—you will find you will not even then get three-quarters if you leave the loopholes as they are at the present time. As my friend from Maryland [Mr. LEWIS] has so well said, it took us 50 years to get to the point where we had the right to tax a man according to his ability to pay. We have that right, and we have that responsibility

as well. There is a great abundance of wealth in this country that can afford to pay the taxes necessary to carry on this country as it ought to be carried on, and to the great advantage of wealth itself. At this point I call attention to the fact that industry is national. It acknowledges no State or sectional lines, but only national lines. If we are as wise as I hope we will be, we are going to be wise enough to recognize that industry is national and treat it nationally. We must do that.

Those who think that our rich people are suffering from the payment of exorbitant income taxes are entirely wrong. I doubt whether there is any man in this assembly who knows better than I do the necessity of protecting wealth. But I also know the greater necessity of creating wealth constantly. Because it costs us \$40,000,000,000 a year merely to exist in the United States at the present time, we have to produce enough beyond that to meet \$10,000,000,000 of interest payments and about \$13,000,000,000 of governmental expenses over the country. Out of whatever we can get above that amount we can put by as savings for investment, for betterments, and to make progress that we all want to make and have the right to make. I have every desire in the world to protect the wealth that we have already amassed in the United States. But I have no desire and I will not consent to the unequal division of wealth that we have been compelled to accept during the past.

Last summer I got to digging into things and I found out that a few wealthy people in the United States each year give very large amounts to science, to art, to education, to charity, and religion. I began to look it over, and I want to give you the summary here because I know that this will interest you. I was able to work it out only for nine years, beginning with the year 1921 and ending with the year 1929, both inclusive. I offer the table for insertion in the RECORD.

Individual incomes and contributions

| Year | Individual incomes | Annually, two to three hundred givers (gifts) | Excess of gifts over individual incomes | Corporation income-tax returns | Total corporation and individual income-tax returns | Excess of gifts over individual and corporation income-tax returns combined |
|------|--------------------|---|---|--------------------------------|---|---|
| 1921 | \$719,387,106 | \$1,719,000,000 | \$999,612,894 | \$701,575,432 | \$1,420,962,538 | \$298,037,462 |
| 1922 | 861,057,308 | 1,787,760,000 | 926,702,692 | 783,776,268 | 1,644,833,576 | 142,926,424 |
| 1923 | 661,666,133 | 1,859,310,000 | 1,197,643,867 | 937,106,798 | 1,598,772,931 | 260,587,069 |
| 1924 | 704,265,390 | 2,000,320,000 | 1,296,054,610 | 881,549,546 | 1,585,814,936 | 414,505,064 |
| 1925 | 734,555,183 | 2,068,570,000 | 1,334,014,817 | 1,170,331,206 | 1,904,886,389 | 163,633,611 |
| 1926 | 732,476,790 | 2,192,650,000 | 1,460,209,210 | 1,229,797,243 | 1,962,268,033 | 230,411,967 |
| 1927 | 830,639,434 | 2,219,700,000 | 1,389,060,566 | 1,130,674,128 | 1,961,313,562 | 258,386,438 |
| 1928 | 1,164,254,037 | 2,330,600,000 | 1,166,345,963 | 1,184,142,142 | 2,348,396,179 | |
| 1929 | 1,001,938,147 | 2,450,720,000 | 1,448,781,853 | 1,193,435,832 | 2,195,373,979 | 255,346,021 |
| | 7,410,233,528 | 18,628,660,000 | 11,218,426,472 | 9,212,388,595 | 16,622,622,123 | 2,023,834,056 |
| | | | | | 970,912,222 | 17,796,179 |
| | | | | | 15,651,709,901 | 2,006,037,877 |
| | | | | | 973,614,573 | 970,912,222 |
| | | | | | 16,625,324,474 | 2,976,950,099 |
| | | | | | | 973,614,573 |
| | | | | | | 2,003,335,526 |

¹ Excess tax over gifts.

² Tax refunds during 9-year period.

³ Total income—corporation, individual, estate, and gift taxes.

⁴ Estate.

⁵ Excess of gifts over all—estate, income, and gift taxes.

Mr. PETTENGILL. What do those gifts include?

Mr. KELLER. They include all gifts. You will find all this in the World Almanac.

Mr. COCHRAN of Missouri. Does that include gifts that might have been passed out by a parent to a member of the family?

Mr. KELLER. No; it does not include that.

Mr. COCHRAN of Missouri. It is important to get that.

Mr. KELLER. Yes; that is important. It did not occur to me to do that. If the gentleman from Missouri will do that he will render a great service to this House.

Why am I calling attention to this tremendous giving? Am I opposed to these gifts? Certainly not. I am glad that America is rich enough to give men the opportunity of making wealth so that they can make such splendid gifts

as these. I am devoutly thankful for such generosity, for such service to humanity.

The point I direct to your attention is simply this, that during the same years, so far as I have been able to count them, not over 300 people participated in giving these tremendous amounts, and in 1929 there were a little over 1,000,000 individual income-tax payers. How do the tax payments compare with the amount of these unadulterated gifts? I shall not bother you except to give you the summary. The total amount of gifts during those nine years amounted to \$18,828,000,000, and there was paid in individual income tax during that time \$7,410,000,000. Are the wealthy people of this country suffering from overtaxation when they give away nearly three times as much as they pay in taxes?

One more thing I want to call to your attention, and that is that for exactly the same years, 1921 to 1929, inclusive, the total corporation taxes amounted to \$9,212,000,000. In other words, the gifts amounted to \$2,300,000,000 more than the combined income taxes for both individuals and corporations and including the estate and gift taxes for the same 9-year period. There is no reason why the burden should not be placed upon the incomes of the wealthy so long as they are giving away more than all other taxes put together.

Are we going to be compelled to go before the people of this country, 8,000,000 of whom are crying for jobs, and thirty-five to forty million of their dependents in various stages of acute economic distress, and say to them, "It is the collective wisdom of this Congress that you shall bear an additional burden by paying a tax which the rich can not afford to pay"?

Are we to accept the advice of an administration that has been thoroughly discredited before the entire country and add to the burden which their economic abuses has put upon the backs of the wage and salaried classes of our citizens by adding a sales tax?

The people whom you are about to tax had no part in bringing about this havoc. When a succession of Congresses reduced the income tax time after time, making the reduction retroactive each time, it was not the people whom you are about to tax now who benefited. Who did benefit? Only those individuals and corporations whose income was sufficiently high to require a tax to be paid. When you stop to compare the small number making up this favored class with the great number that will be affected by the sales tax here proposed, the injustice becomes immediately apparent.

My colleague from Pennsylvania [Mr. McFadden] has made a suggestion to you here this afternoon that I had intended making myself and that is that we already have a means immediately available for raising revenue in the tax deficiencies now pending before the Board of Tax Appeals.

Under the provisions of the law creating this Board of Tax Appeals it is a simple matter for the man or corporation who owes taxes to make money out of the Government by simply postponing payment of its taxes by appealing to this board.

Sufficient tax money is tied up in this litigation to raise one-half more than it is proposed to raise by the sales-tax provision of this bill from the rags and starvation of 8,000,000 idle men.

Is the United States protected in this matter? It is not. No bond is required to insure the payment of the tax should the appellant fail to sustain his claim. It is a notorious fact that over one-third of this tax money is never collected after it is found to be due, and in many instances the appellant has gone bankrupt in the midst of the proceedings and the Government has lost it all.

The man whom this bill would require to pay a tax on his movie ticket has no such convenient body to stave it off.

Why not require these taxes to be paid now; then if the Board of Tax Appeals discovers that they have been wrongfully assessed, return such portions as may be due.

It has been said here, at least privately, that it is useless to put higher taxes on the wealthy of this country; that they will simply avoid paying it by some means or another. If I actually believed that, I could not reconcile the justice of our failure to tax the wealthy because they will attempt to avoid it, and then turn around and put a tax on the poor who can not avoid it.

This Congress should put the burden of taxation where it justly belongs—upon those who have sufficient wealth already made, upon those whose incomes even in times like these is comparatively unimpaired, and upon such other sources of revenue exclusive of the sales tax. The 1918 tax bill is full of sources that will work no hardship on any one.

If the Congress will do this I shall then favor a sales tax to raise the revenue that we need to put men to work, to restore the national income.

In 1928 and 1929 we earned \$300,000,000 every day of the 300 days we worked in each of those years. It would therefore require but two days' work under those conditions to pay the deficit provided for by the sales tax proposed in this bill.

Now, I ask you gentlemen, how long will it take the 8,000,000 idle men and their families to pay their part of this deficit?

The jobless and the nearly jobless will have no hesitancy about accepting a sales tax if the money derived therefrom will be used to put men to work, to restore the national income. If they know that the money that they will pay in increased taxes will go to provide jobs for themselves and their idle buddies and not to ease the burden of taxation of the rich no Member of this House will need have any fear about voting for a sales tax. [Applause.]

The CHAIRMAN. The time of the gentleman from Illinois has expired.

Mr. CHINDBLOM. Mr. Chairman, I yield five minutes to the gentleman from Kansas [Mr. McGugin].

Mr. MCGUGIN. Mr. Chairman, the only thing I wish to state is prompted by the remarks made by the gentleman from Illinois [Mr. KELLER], who has just spoken, in which the gentleman cites the fact that there have been a limited number of bank failures in Germany, France, and England, while there have been thousands of bank failures in the United States, and offers that as proof that there has been no depression there as compared to the depression in America.

I can not speak for Germany. I can speak in the case of France and England. Some 14 years ago it was my good fortune to be in those two countries at the time when there were two or three million other young Americans there, and I never saw a bank in England or France which was not a chain bank. I have no recollection ever seeing a bank in France which was not the Bank of France or the Cr dit Lyonnais. If the gentleman's argument that there have been no bank failures in France and England is any information which would guide the American people in the banking business, it would be that the American people should go into the chain-banking business. That is something which I detest and which I hope my country never does. Chain banking will keep all banks open or they will all go broke, one or the other, but a chain bank will destroy individual credit. No one ever heard of a French farmer borrowing a dollar from the Bank of France. No one ever heard of the ordinary French merchant borrowing a dollar from the Bank of France. I understand that the same thing is true in England; the small individual merchant never borrows money from the Bank of England and the individual farmer never borrows money from the Bank of England.

Perhaps we can not maintain the banking structure and give credit to the farmers and individual business men. I do not want to make that concession.

Mr. MANLOVE. Will the gentleman yield?

Mr. MCGUGIN. I yield.

Mr. MANLOVE. Where does the farmer and the small merchant go to get a loan?

Mr. MCGUGIN. In France and England?

Mr. MANLOVE. Yes.

Mr. MCGUGIN. They do not borrow any money. They never get a chance to borrow any money from a bank. Credit for individuals is unknown.

Mr. MANLOVE. I feel very sympathetic toward them. I have been in the same condition many times.

Mr. MCGUGIN. Perhaps that would be a good condition for our country. I make this suggestion only because I did not want the gentleman's remarks to be construed as meaning that they have a sounder banking system in those countries than we have in ours, unless we are willing to go a step farther and give up the principle of private credit.

Mr. Chairman, I yield back any time I may have. [Applause.]

The CHAIRMAN. The gentleman from Kansas yields back two minutes.

Mr. HILL of Washington. Mr. Chairman, I yield myself 15 minutes.

Mr. Chairman, during the past week or more we have heard some very frank statements as to certain provisions of the tax bill that is now before us. The frankness of those statements extended even to the members of the Ways and Means Committee who brought this bill into the House.

At the outset I want to assure you that the members of this committee are not laboring under any illusion as to the gravity of the proposition of presenting a tax bill in which is included a general sales or manufacturers' tax. I want to assure you also that with the possible exception of two or three members of the committee, and I think none of them on the Democratic side of the committee, the membership is in agreement with all of you who have spoken in opposition to that particular feature of the tax bill, that a sales tax is always odious.

Speaking personally, I have always been opposed to a sales tax. I am opposed to it now, and I am opposed to it on principle, if there be any principle underlying this system of taxation, and nothing short of dire necessity could drive me to support such a plan of taxation.

In listening to the discussion one would think that perhaps that is the only source of revenue included in this tax bill. Statements have frequently been made that taxes should be levied in accordance with the ability to pay, and that this committee should have brought in a tax bill levying the necessary increased taxes upon the incomes of individuals and corporations, and upon estates and inheritances. As you listen to the speeches in opposition to this tax bill you would think that the committee had been derelict in its duty in not first resorting to those sources of revenue.

I want to call attention to the fact that the very first work the committee did after listening for six or seven weeks to hearings before the committee was to see how much revenue could be raised from the income taxes and from the estate and gift taxes. We pressed to what we thought was the very limit of productive revenue from those sources before we even considered any other source of revenue to make up the deficit in the Treasury which is now staring us in the face. We increased income surtaxes on individuals 100 per cent in all brackets from \$10,000 up and made the maximum tax applicable at \$100,000, after allowing an exemption on the first \$10,000. The result is that taxable incomes above \$100,000 bear a normal tax of 6 per cent and a surtax of 40 per cent, making a total tax of 46 per cent. We increased the corporation tax from 12 per cent to 13 per cent, and it was the unanimous opinion of the committee, as far as I recall, that that was as much additional burden as we could place upon the corporations of this country in the present economic conditions.

We then took up the estate and gift taxes, and we raised the estate taxes from a maximum of 20 per cent to a maximum of 40 per cent. That made an even 100 per cent increase upon the estate tax, beginning at the point of \$100,000 and graduated so that the maximum tax would be applicable on net estates of \$10,000,000 and above. Then to protect this estate tax and to be sure, as nearly as it was possible to be sure, that there would be no evasion in the matter of the payment of estate taxes, we recommended a gift tax, with a maximum rate of 30 per cent, which paralleled the brackets of the estate tax.

Now, you may wonder why we did not make the gift-tax rates the same as those of the estate tax. You will bear in mind, however, that the primary purpose of the gift tax is the protection of the estate tax, so it was not thought desirable—and I am sure you will agree with the committee on that point—to so arrange the rate under the gift tax as to absolutely discourage the distribution or division of estates during the lifetime of the owners.

It is a commendable thing, of course, in many instances, and in most instances, that these large estates be broken up during the lifetime of the owner, and by making the maximum rate 30 per cent instead of 40 per cent, as in the case

of the inheritance tax, we have provided in the gift tax itself a source of revenue to be paid within the lifetime of the owner of the estate; whereas if you make the maximum rate of the gift tax 40 per cent, the same as the maximum rate on the estate tax, there would be no inducement to divide these large estates during the lifetime of the owner, as he would pay exactly the same rate of taxation as the estate would pay after the death of the owner. Hence we expect to get some revenue from that source, and at the same time protect the estate tax.

I want to repeat again that the first work the committee did was to go to the sources of income taxes, both corporate and individual, and to the inheritance, estate, and gift taxes in order that we might place the heaviest burden possible on wealth and levy taxes in accordance with the ability to pay, before we resorted or began to look around to see where we could raise other revenue to supplement that which it was expected to receive from these sources, and in order to take care of the deficit in the Treasury.

But sitting here and listening to these speeches in opposition to this bill I rather got the idea that this Congress had made an egregious mistake in selecting for service on the Ways and Means Committee, from both sides of the aisle, a bunch of the most incompetent men in the whole Congress.

Mr. MANLOVE. Will the gentleman yield?

Mr. HILL of Washington. Yes.

Mr. MANLOVE. I will be glad to testify that I think the committee is made up of as brainy men as ever constituted any committee in Congress.

Mr. HILL of Washington. I thank the gentleman very much. We do not claim superknowledge, but we do claim for ourselves sincerity of purpose. The responsibility was ours. It is easy to criticize. I know, for I have occupied the position of critic when the responsibility was on the other man. It is a much more difficult thing to sit in the seat of responsibility and measure up to the duty which is placed upon you by reason of being placed in that seat of responsibility.

I want to say to you that whether the tax bill that has been brought in here is a wise one or whether it is a vicious one, this committee brought to bear upon it all the sincerity, all the ability, and all of the investigational work which was available to it in order to bring in the best possible bill under the economic conditions prevailing, for the purpose of balancing the Budget, in order that the credit of this great Nation might be saved.

I want to say before I get away from that point that after we had increased the estate tax, the individual income tax, and the inheritance tax 100 per cent, and after we had placed in the bill a gift tax carrying a maximum rate of 30 per cent, and after we had increased the corporation tax from 12 to 13 per cent—these being the highest rates in the judgment of the committee that would be productive of the greatest amount of revenue—we found that from those sources there could be raised by way of increases over the present set-up in the existing tax law only \$112,000,000 by the increase of the individual income tax, \$21,000,000 from the increase of corporation tax, \$35,000,000 from the estate tax, and with the estimate of the gift tax left out of the picture, leaving a deficit still remaining of more than \$1,000,000,000. After recommending certain new special excise taxes and without disturbing existing excise taxes, the existing customs duties and miscellaneous internal revenues, we still had a deficit of something like \$600,000,000.

It was evident to the committee, as it must be evident to you, that we first exhausted all of the resources for placing the burden of the tax on wealth so far as additional revenues were concerned, and that we had to go somewhere else to get this additional \$600,000,000.

The Treasury Department submitted with its recommendations for this additional money a certain selected list of commodities, with a proposal to levy high excise rates upon them to make up this \$600,000,000. You are familiar with the items. Gasoline was one; automobiles, trucks, and accessories; a stamp tax on checks; an increase in the postal

rates; and perhaps one or two others which I do not now recall.

[Here the gavel fell.]

Mr. HILL of Washington. Mr. Chairman, I yield myself 10 additional minutes.

Mr. TREADWAY. Will the gentleman yield?

Mr. HILL of Washington. I yield.

Mr. TREADWAY. Will the gentleman add to that list listeners on radios?

Mr. HILL of Washington. Yes; radio, telegraph and telephone, admission taxes, and a very material increase in the excise tax on tobacco. I believe I have named about all of them. Anyway, it is immaterial as to a complete list.

What happened? At least 20 per cent of the membership of this House came before the committee, representing constituents back home, and protested from one end of the list to the other every single item included in the recommendations of the Treasury.

It was proposed to levy 1 cent a gallon on gasoline, and it was pointed out to the committee that this commodity was already bearing a very high tax by reason of State levies, ranging from 2 cents to 5 and 7 cents a gallon, and it was further represented to the committee that it was unthinkable to place an additional burden upon this commodity.

Not only did the Members of Congress come before the committee, but we had delegations representing the various industries appearing by droves and making out their case and showing that in the present depressed condition which obtains and in the struggle for life of their industries they simply could not stand up under the additional burdens which these high excise taxes would impose upon them. They made out their case; and in practically every instance when a witness came before the committee protesting against the levy of a tax on his particular industry, the chairman of the committee or some other member of the committee would ask him what constructive suggestions he might have as to the raising of this revenue. Some of them offered suggestions, but most of them threw up their hands in despair and were simply content to protest a tax upon their own industry.

The committee came to the conclusion it could not afford, under present economic conditions, to pick out a few of the outstanding industries of the country and levy a high excise tax upon them simply because the tax might be easy of collection. They felt, as I am sure you feel, that it would be an unfair discrimination against these particular industries pointed out and selected and recommended for taxation.

So the committee was right up against a blank wall. Here was the Treasury of the United States in default in the amount of \$903,000,000 for the fiscal year 1931, with an accumulating deficit of \$2,240,000,000 for the fiscal year 1932, making an accumulated deficit over a period of two fiscal years of over \$3,000,000,000, with the prospect and the almost certainty that if something should not be done to bring more revenue into the Treasury, the deficit would amount to four and a half billion dollars or probably \$5,000,000,000 by the end of the fiscal year 1933.

This, gentlemen of the committee, was the condition with which the committee was confronted, and the committee had the great responsibility of meeting this problem. I know how it wrung the heart of every man on that committee, because I know how it wrung my own heart, to agree to the recommendation of a general sales tax. I am opposed to it. I am opposed to it because of the great burden it lays upon the masses of the people regardless of their ability to pay, and yet we had to balance that idea; we had to balance our notions about that particular source of revenue with the proposition of whether or not this Government should be permitted to lose its credit, whether or not we should permit the Treasury to become so depleted and deficits to so pile up as to impair the credit of the only institution in this country to-day that has any credit.

We were not unmindful in approaching this proposition of levying a general sales tax of the possible necessity of enlarging the political cemetery in the event we should bring in this recommendation, but we felt that the credit of this Nation must be preserved and that the people of this coun-

try are patriotic enough to undergo an additional burden for a temporary period of time to preserve that credit. [Applause.] I have that much faith in the people of this country.

We did not put this recommendation in here as a piece of permanent legislation. We placed it here with a time limit, and it is to expire on June 30, 1934. To continue it beyond that date will require affirmative action by Congress and approval of the President, and yet you hear men stand up on this floor and say that this is a permanent proposition, that once you get it upon the statute books you will never get it off. Are you losing confidence in yourselves?

I want to say to you that there is not a member on this committee who recommended this tax against his will, against his desire, against his ideas of taxation with respect to this particular source of revenue, who figured for one moment that this would be a permanent part of the revenue law of this country. Hence we fixed it so that it will die by limitation of time, and that is exactly what will happen. If necessity exists for continuing it for another temporary period of time or for all time to come, this will require affirmative action by this Congress and approval of the President.

Now, is it necessary to balance the Budget? It has been rather interesting to sit here through this week of debate and hear the different turns which the opponents of this measure have taken as the debate has proceeded. In the early part of the debate practically every Member who spoke against the bill acknowledged that it was necessary to balance the Budget, but when they came face to face with the facts of how to balance the Budget, and when they began to look around for sources of revenue other than those recommended by the committee and found the difficulty that confronted the committee itself in its exploration of these different sources of revenue, then the debate veered round from the necessity of balancing the Budget, and they said it is not necessary to balance the Budget.

Of course, if you take the position that it is not necessary to balance the Budget, you can strike out the general sales tax and any other sales tax in the revenue law. But if you believe, as this committee believes and as I think the economists of the country believe, that the security of the country depends upon balancing the Budget for the year 1933, then you must resort to some kind of a sales tax to effect that balance.

Whether you take the recommendation of the committee for a manufacturers' tax or a sales tax—and I am calling it a sales tax, for that is what it is, although you call it an excise tax in the bill—whether you take that recommendation or whether you take the recommendation of our friend from New York [Mr. LaGuardia] and select certain commodities upon which to levy an excise tax, or whether you take the recommendations of the Treasury, which are in large part like the recommendations of the gentleman from New York, you must levy a sales tax.

As I said in the beginning, the sales-tax proposition is just as odious to me as it is to you. If I could see any way out of it, I would not vote for a sales tax. But when we strip this problem of its covering, when we take away the camouflage, if you please, you will find the consumers of the country are paying all the tax to-day.

You know it is one of the favorite games of men of financial power who control governments and administrations, and frequently control the Congress, to exert the full power of their influence to pass the burden of taxation on to the backs of the masses of the people. And in the main they have been successful.

If I had it in my power I would place the burden on those who are able to pay; I would place the burden of taxation where it would not be taxing the necessities of life. [Applause.] I would shift the burden from the poverty stricken of the country and place it on the rich, on the wealth of the country. [Applause.]

But whether we levy the tax on incomes or levy the taxes upon inheritances or by excise taxes upon certain specific commodities, the consumer pays. The consumer

does not pay the tax on incomes, but the consumer pays the income upon which the taxes are levied.

Now, take the revenue as it stands to-day, as it comes into the Treasury, 50.5 per cent of the revenue coming into the Federal Treasury are sales tax or consumers' tax; and when you add this \$595,000,000 in this bill, you will add another 17 per cent, and you will have 67½ per cent of consumers' tax, not counting the consumers' contribution to the incomes upon which income taxes are paid.

I am not holding anything back; I am trying to discuss the issue as the committee sees it. I am not trying to sugar-coat the pill that the country must take when we raise revenue at this time. You are confronted with the proposition that the people of the country must pay the taxes, whether in the form of excise taxes, whether in the form of consumers' taxes, or whether in the form of taxes on income, or great estates which are able to pay—it is all paid by the consumer.

As pointed out by the gentleman from Alabama [Mr. HUDDLESTON] the other day, about one-tenth of the increased price on tariff-protected commodities goes into the Treasury and the other nine-tenths go into the pockets of the manufacturers. As between the tariff tax and a general sales tax, the latter is really preferable from the standpoint of the people, because the total of the sales tax goes into the Treasury of the United States. I am not saying that in support of a general sales tax; but since the matter was thoroughly discussed I felt as if emphasis might be laid upon that one point.

What about the credit of the country? Reference has been had here to the issuance of bonds in war time to the amount of \$22,000,000,000 or \$23,000,000,000 in the course of only a few years, and they say that that did not affect the credit of the country. I say it did. I recall when the great campaign was on to sell to the people bonds in denominations of \$50 and \$100 and larger amounts, how the people responded from a sense of patriotic duty, how they went to the banks, most of them to borrow money with which to pay for these bonds, paying the bank from 8 to 10 per cent out in my country and taking the bond at 4 or probably 4¼ per cent. Then, after buying these bonds and holding them for a short time, until unable to hold them any longer, they found the bonds had dropped down in the market to 85 cents on the dollar and they had to sell them at a sacrifice of 15 per cent of the principal paid. The common people of this country, the people who responded to that campaign, bought those bonds and lost three or four billions of dollars in depreciation of the bonds, not counting the difference in the interest they had to pay to the bank and that which the bonds themselves bore. And to-day the credit of the Government is impaired, as you will readily see by examining the bond market in any of the daily papers, and only through the confidence which this bill gave and the promise to balance the Budget has that bond market been boosted upward in the last few days. Up until a month ago there was not a dollar of commercial credit in my district, and there is in that district one of the richest producing fruit sections of the entire world. We have an investment there of three-quarters of a billion dollars; and men, many of them worth net \$75,000, who needed money with which to carry forward their crops and farming operations for the present season, who heretofore had secured credit from the banks or through the marketing agencies that handle their products, could not get a dollar of credit.

They came to Washington by committees and they wrote letters and sent telegrams pleading "for God's sake help us to get some credit to protect our crops so that we will not lose everything on earth." There was not a dollar of commercial credit. That is not an exaggeration. The only credit they have now is coming through the money furnished by the Reconstruction Finance Corporation, through the liberalization of loans and rediscounts under the Glass-Steagall bill, through the pitiful sum of \$50,000,000 allocated to the Department of Agriculture for direct loans to farmers, and through the intermediate credit banks—all Government

agencies; and if it were not for the credit of the United States backing those operations, the people in my country would to-day be prostrate under this economic condition; they could not move a wheel; their property, valued in the hundreds of millions of dollars, would go rack and ruin; and the savings of a lifetime, the fruits of years of successful business operations, would be swept away. The only credit there is to-day is the Government credit. Are you going to destroy it? Is it necessary to balance the Budget? My God, do not let the whole thing crash around our ears.

Mr. RAGON. Mr. Chairman, will the gentleman yield?

Mr. HILL of Washington. Yes.

Mr. RAGON. I have heard various speakers—I believe, also the one who just preceded the gentleman—state that in times past we had not suffered from a failure to balance the Budget. I am wondering if there ever was a time when we owed quite so much money and had such a large deficit and so poor a return of revenue as we have at this time?

Mr. HILL of Washington. This condition to-day is unparalleled in the history of the country.

Mr. JOHNSON of Oklahoma. I am interested in the gentleman's statement that this is an unparalleled condition. I remind the gentleman that the gift and estate tax is nothing like as high in this bill as they were after the World War. Why did not the committee raise it to what it was after the war?

Mr. HILL of Washington. The gentleman is in error there.

Mr. RAGON. I can answer the reason why we did not do it. We did not want to fix it so that a man would be precluded from making gifts during his lifetime and would take over tax-exempt securities and things like that. As chairman of the subcommittee who prepared that, I stood where the gentleman does until I was convinced by men in a position to know, that this was the better way to fix it.

Mr. HILL of Washington. The highest rate of estate taxes heretofore has been 25 per cent. We have raised it to 40 per cent, which is 60 per cent higher than it ever has been before.

Mr. DIES. And does the gentleman think that you could raise it to 60 per cent and raise the gift tax proportionately, and have the gift tax less than the estate tax?

Mr. HILL of Washington. I have no compunction against that.

Mr. DIES. Is it not a fact that it has been conservatively estimated that this Government could, in the course of a reasonable time, get a revenue of approximately \$1,800,000,000 from the estate tax, that \$9,000,000,000 devolve in this country every year, and if we levied proportionately with what England and other countries do by way of estate taxes, we would tap a great source of revenue without having to take it from the masses of the people?

Mr. HILL of Washington. I am very much in sympathy with the idea of taking a big hunk out of estates in the form of taxes. I do not know whether we want to go to the point that Great Britain has gone, but I am perfectly willing to go a long, long way. However, that is not a ready producer of income. It takes a period of 18 months under existing law before you can get settlements of these estates, and we need money now. If you can fix that estate tax or any other tax that will take the burden off the poor people of this country and produce the revenue in the future, I shall be glad to go along with the gentleman and will help to do it.

Now, I want to say in conclusion that this committee was in a veritable Gethsemane for eight weeks trying to work out a measure that would not be so burdensome as to crush the last ounce of strength out of the people of this country. You can hardly realize the distress that came to us in trying to find different sources of revenue, and as we would approach one after the other, see them disappear and vanish from view. We did not want to levy this tax, and yet, in the interest of the people of this country, we must save the credit of this Government, and only that consid-

eration would ever force me or drive me or induce me to vote for a general sales tax. [Applause.]

The CHAIRMAN. The time of the gentleman from Washington has expired.

Mr. TREADWAY. Mr. Chairman, I yield three minutes to the gentleman from California [Mr. CRAIL].

Mr. CRAIL. Mr. Chairman, yesterday I was on the floor discussing a feature of this bill, the excise tax on the importation of petroleum, and my friend the distinguished Member from Maine asked me to yield, which I did, and then the gentleman stated that this excise tax on oil would inure to the benefit of the major oil companies and not to the benefit of the independent oil companies and of the American people generally, as I had claimed. My argument was that the very life of the industry and the existence of the independent oil producer depend upon some help from Congress along the line provided for in the bill which is now before us. The statement of my friend from Maine got across the idea that the major oil companies, who are the importers of this cheap oil, duty free, from South America, are in favor of this excise tax on oil and gasoline and that the independent producers, the little fellows, should be against it. I answered that argument as best I could on yesterday, but this morning there was handed to me convincing proof that these major oil companies, the importing companies, are flooding the Members of Congress with telegrams protesting against the enactment of this excise tax on petroleum, and that the major oil companies are paying the telegraph companies to send in these protests, and that they are soliciting the names of employees and the members of their families and even minor children to use in these telegrams in an effort to convince the Members of both Houses of Congress that the excise tax on petroleum proposed in the bill before us is iniquitous and that the public is making a vigorous protest against it.

I have evidence in my pocket that one of these major oil companies in one city alone presented to the Postal Telegraph Co. 2,000 names, nearly all of which have been found to be employees and the members of their families and their minor children, and directed that company to send telegrams to Members of Congress protesting against this excise tax on petroleum, and that this company paid for them, and that the major oil companies are carrying on a campaign against the excise tax on petroleum and its products as provided for in this bill and that these major oil companies are not for it, as claimed by the gentleman from Maine, but are against it and are strenuously working against it. [Applause.]

The CHAIRMAN. The time of the gentleman from California has expired.

Mr. HILL of Washington. Mr. Chairman, I yield one hour to the gentleman from Illinois [Mr. RAINEY].

Mr. RAINEY. Mr. Chairman, I have a sympathy with those Members of Congress who are opposed to the sales-tax features of this bill, as perhaps no other Member has. For a great many years I have opposed it most strenuously as an incorrect method of taxation, a method of taxation which might relieve, ultimately, the big income taxpayers of a part of the burden they ought to have.

I have continued that vigorous opposition to the sales tax right up until last October, when I was more opposed to it than ever before, and when I refused to join a party of Members of Congress who were going to Canada for the purpose of studying the sales tax, because I was against it. I was confident that I knew all about it and that whatever happened I was going to continue my opposition and find some other way of raising the revenues that this Government may need, not only now but at all times in the future.

Then these hearings commenced, and then there commenced our study of this bill. The Treasury propositions did not present a manufacturers' sales-tax method of making up this deficit. In fact, when we commenced the hearings we did not know what the deficit was, and as the hearings proceeded every industry affected by the Treasury suggestions came and made an absolutely air-tight defense. There was not any question about their defense. I can say,

I think, without fear of contradiction, that everyone of the 25 members of the Ways and Means Committee, without any exception on either side, was opposed to this tax when the hearings commenced. Every speech in opposition to this bill—and we heard them all, and it took over a month to do it, and we worked overtime to do it—every speech in its last analysis amounted to this: "Why single us out? We know you have got to have money, but why should we six or seven industries which the Treasury has suggested pay it all? We do not object to paying our share, but why should we pay all of it?"

As the debate proceeded and we took over 1,000 pages of testimony the equities of those industries singled out for this tax attack appealed to every member of the committee, and we decided to broaden the base to make it apply to every industry and bear as lightly on each industry in this country as it possibly could bear.

Twenty-four of the twenty-five members of the Ways and Means Committee still adhere to that opinion. One member has a different opinion and he thinks that we can pay off this deficit in some other way. He has reached that conclusion from hearing the same evidence. He is a conscientious gentleman. He is honest in his opinions. He may be right. He heard the same evidence we heard, but 24 members of that committee can not agree with him; that is all. On that jury there are 24 stubborn men; otherwise we could have brought in a unanimous verdict.

That is the reason why we are not unanimously supporting this bill.

There seems to be tremendous opposition to a sales tax. The Ways and Means Committee made a tactical mistake. I am convinced of that now. What they ought to have done was to bring in a bill imposing the taxes suggested by the Treasury Department—a tax on radios, a tax on automobiles, a tax on cigarettes, a tax on tobacco, an increase in the postal rates, a tax on checks and conveyances of real estate, and all that sort of thing. We can get the money by resorting to the irritating war taxes, which we hoped had been abandoned forever.

But what about the opposition to such taxes? There would have been a storm of opposition to them from all parts of this country, and there would have been opposition not artificially created. Then when we had to yield the sales tax would have been the substitute. And it could have been adopted easily and without much trouble. But following our honest convictions we put it in first.

Now, judging from the debate on this floor, as far as it has proceeded, I get the impression that a great many Members think this is a new and untried experiment, and therefore, we ought not to embark upon it now because we do not know anything about it.

There are only two older taxes in this world than the sales tax. The tariff tax dates back 2,500 years before the birth of Christ. The ancient Egyptians imposed their tax at the frontier. It became our tariff tax, and during the ages and during the centuries it has come down to us. No nation ever existed in this world without imposing it. It fits in with the idea which tax makers like to adopt. It is a tax that you do not feel because you do not know you are paying it and that gives it an appeal. No party in this country of any size or of any importance ever advocated free trade. The tariff is a painless tax.

I have been devoting many months of time in the passing years trying to convince people that they paid the tariff, and you can convince them they do. There is no trouble about that. But they do not care because they are not acutely conscious of it.

The next tax imposed in the order of tax development in the world was the estate tax. In the old days they called it death dues. Ancient Egypt imposed it a thousand years before the birth of Christ. We have just got to it now, just a few years ago. Babylon imposed it; Rome imposed it, and finally we came to it when we were compelled to do so. That is a favorite method of taxing from the standpoint of the tax maker, because it is paid by a man who can not object. He is dead. That is the reason. His heirs are glad

to get what is left of his estate just as quickly as they can get it.

Then next in order of tax development we come to the sales tax. Some of you gentlemen think it is new. The Greek cities imposed it 500 years before the birth of Christ, and under those circumstances that does not impress me as a new tax. It did not soon disappear from Greece. They clung to it until the city states of Greece collapsed and chaos came. Then they did not have much taxes of any kind in the civilization they had after the collapse of their city states. Rome commenced to impose it in the year 9 A.D. The Emperor Constantine imposed it, and it became soon a part of the Byzantine tax system, and continued on down through the ages. Spain imposed it to a greater extent than other nations 1,000 years ago. Her cities imposed it, and then they divided it with the king. He maintained his armies out of the 50 per cent contribution of the overlords of the cities of Spain. They furnished it all and it was derived from a sales tax.

Then for a long time it was discontinued until the World War. Germany imposed it during the war, France imposed it just at the close of the war, and now every nation in this world of any importance imposes it except Great Britain and the United States. Under these circumstances it appears to me that those newspapers which are trying to impress upon the country the idea that it is an untried and a new experiment must surely be wrong about it. An experiment that has lasted through all the centuries of recorded history, I contend, is not new.

In drafting this sales tax we had the best of help. The tax auditor of Canada came here. He was just on his way back from Australia. Canada had loaned him to Australia for the purpose of assisting them in rewriting and perfecting their sales-tax system. We had his suggestions and his assistance.

In drafting this bill we studied the present sales-tax systems of all the nations and of the States of the United States which have imposed it. We have in West Virginia a thoroughly well-developed system of sales taxes and they have had it for several years.

We condemn a sales tax. Is there any State in this Union that does not impose it on gasoline, some of them on cigarettes, and the States imposed the objectionable kind of taxes? They can not impose any other. They impose the objectionable kind of taxes which violate the fundamental principles of taxation; the purchaser knows he pays it.

I have been a member of the Ways and Means Committee since and even during the Payne-Aldrich bill. No man on that committee at present dates back as far as I do as a member of the committee. For 20 years of time and more than that I have been studying carefully the subject of taxes. I think I know something about the art and the science of drafting and imposing taxes, in fact—and I do not want to seem to be egotistical—I know all about it. I am going to tell you the result of my studies, covering nearly a quarter of a century of time, so that you gentlemen who have not studied it as much as I have will know just as much about it as I do.

I have helped to draft more tariff and more tax bills than any other man living in the United States to-day, so I ought to know something about levying taxes.

Now, I am going to tell you what the science of levying taxes is. I can tell you in a few words so that you will understand just as much about it as I do, who have studied it for nearly a quarter of a century. From the standpoint of the responsible legislator, who is going to be criticized for it, the science of levying and collecting taxes is the science of getting the most feathers with the least squawking of the goose. That is all there is to it. [Laughter.]

There is nothing so full of intense human interest and romance as the study of taxes during all the centuries.

It simply shows that 3,500 years before the birth of Christ, and in all the centuries which have followed, men felt about taxes just as we do now. They adopted the same methods

we prefer to adopt at the present day. They were moved by the same emotions that move us to-day. They had just as much trouble with their constituents as we are having. Therefore, they were driven, all of them, to the least objectionable kind of taxes.

In Canada they impose 4 cents, almost twice as much as we are going to ask you to vote for in this bill, and our information is that they do not know they pay it; that retailers advised Members of Congress who went over there recently and made a careful study—and I am sorry now I did not go with them—that they did not even know they paid the taxes on the goods that came to them.

So we are proposing this tax which nobody will feel after it once gets in operation. It is spread out all over the entire field of industry, exempting business which has a turnover of less than \$20,000 a year, and this is the highest exemption granted in any country in this world at the present time, carrying these foodstuffs as exempt, exempting farmers from their seed and fertilizers. Our exemptions are much smaller, of course, than the exemptions in Canada. They cover 10 pages. They are longer than the bill. They are much smaller than the exemptions in Australia. In Australia the tax is three times as high as this.

We have avoided all their mistakes. We had that advantage in preparing this bill. We have preserved in the bill all the good features of other sales-tax laws in other countries, and it operates in an exceedingly simple way. We have avoided multiple, turnover pyramiding. We think this sales tax bill is the best drawn sales tax bill in all the world.

We have made it terminate automatically on the 30th day of June, 1934, so that it is in operation only a little over one year. We hope by that time business will have revived. We know that it will not revive unless we balance this Budget and restore the solvency of this Government, and we hope by that time this tax will not be necessary. So we have provided for its automatic termination.

Now, I am wondering what causes all this opposition to it. I charge it up to the new kind of lobbying we have here in the Capital City.

When I first came to Washington, and until just a few years ago, I was glad to see a lobbyist come into my office. They were all men who understood their subjects, and they presented me with data and with facts and with figures that saved me hours of time in making up my mind as to how I wanted to vote on that particular subject. But that class of intelligent, helpful lobbyists has disappeared from the picture, and now invisible lobbyists take their place. You never see them, they do not call at your office, but I have discovered who many of them are.

During the progress of this bill, when I commenced to hear from my State and from all over the country in opposition to the bill, I put all my stenographers to work answering every letter, and I answered them in this way:

"I have received your letter and I am very much interested and I am giving to your suggestions a sympathetic consideration. You are so far away that I can not talk to you, but you were probably requested to write to me by somebody who has studied this subject and who knows, and I want you to tell me who he is."

Most of them were not interested enough in their letters to answer, but many of them did, and when they answered I commenced to find out who these lobbyists are. They gave me their names. They are highly paid gentlemen, they live here in Washington, their headquarters are here, although some of them are in New York, and their business is to collect from organizations a large compensation for themselves, and when they want to influence a tax or tariff rate or anything else in favor of their particular organization, they get the names of many people from the directories back in the States and they write to them and say:

"This tax is about to be imposed upon you. You are going to have to pay it. You are being taxed enough now. It is going to ruin this particular industry. Write to your Member of Congress and ask him to vote against it."

Then they commenced to write and you commenced to hear from them. I wonder that the post-office deficit does not

disappear, judging the situation from the number of communications you have been receiving.

Now, this particular kind of lobbying was started here in Washington just five or six years ago, in 1926, by a man by the name of Arnold—J. A. Arnold. He is here yet, but he is discredited now and has lost much of his influence.

He organized the American Bankers' League; that was unpopular and he gave that up. He then organized the American Taxpayers' League. The reason for these organizations, especially the latter, because it had a more appealing name than the other, was to defeat the estate tax.

Soon Members of Congress began to receive pressing letters from their districts. "You are digging into the grave for taxes. Can not you run the Government without doing that? We are writing to tell you that we are opposed to the estate tax."

Then they organized a trainload of members of the legislatures of the various States. They paid their expenses on a junket trip to Washington, and they put up at the best hotels here; they brought them down in parlor cars and automobiles through the streets and packed and jammed the corridors of the House Office Building and the rooms of the Ways and Means Committee. They did not know anything about the subject, except that they were told by Arnold to go and fight against that particular thing.

I remember that as the hearings proceeded—I knew Arnold was in the room; he sat over in the corner, and I said, "Is Mr. Arnold in the room?" No answer. I said, "If Mr. Arnold is here I would like to have him answer, because I want to ask him some questions." No answer. Finally, we got him on the witness stand and he testified. He did not know anything about the estate tax, but there were a lot of people who did not want to pay it.

Out in Chicago, Ill., there were a lot of them. During seven months Arnold collected \$61,000, paid himself out of it at a salary of \$1,000 a month; and if he did not keep the rest of it nobody could find out where it went, and he conducted this propaganda.

In Illinois there were 38 contributors to this fund, as the hearings afterwards disclosed. Their names are all printed in the hearings before the Senate committee. We could not get it; he would not even tell me where he kept his deposits, in what State. Contributions ran from \$500 to a thousand dollars, and of these 38 contributors from Illinois 30 were corporations that could not die so as to leave any estates. I have the names of all of them, officers of these corporations who misused these funds. They paid their contributions out of the assets of the corporations, ultimately to save their own estates. These gentlemen are embezzlers, every one of them. They ought to be in the penitentiary.

Ten of them were railroads in Illinois. How can a railroad leave an estate?

We so thoroughly advertised Arnold throughout the country that he did not get anywhere with his threats. The estate tax remained a law. Members of Congress who were timidly hearing from him now hear from home in another direction. Nobody wants it taken out of the law; it is in there forever.

We are doubling the estate tax in this bill, and nobody is objecting. But Mr. Arnold's activities are over.

Now, a new kind of lobbyist has developed. They have abandoned the objectionable features of Mr. Arnold's methods. I know who these men are. I may mention their names as we proceed under the 5-minute rule and begin to hear of it on the floor. I thought of doing it now, but I am going to postpone it.

This is the weakest and most contemptible kind of lobbying. When you hear from men who have been induced to write you these letters you hear from men who have not studied it, but they are told, and they believe, that they are going to be injured by this tax, so they wait, these suave gentlemen, who receive salaries of \$1,000 a month and more than that and sit back in their offices and smile as they pull the string and make you gentlemen jump, and you do not know who is pulling the string. You know somebody is. You are not really hearing from home, you are hearing from the lobbyists of this new kind, who have not enough infor-

mation or ability to come to your office and discuss this matter in an intelligent way with you.

The Illinois Manufacturing Association has sent out to every manufacturer in Illinois a circular headed "Manufacturers' Sales Tax a Dangerous Menace." Let me read a part of it:

Once established, a manufacturers' sales or turnover tax will never be relinquished as a major source of revenue by the Federal Government.

Here is another clause:

If the Members of Congress and the administration leaders will disregard politics and make a real determined effort to deflate the cost of government they can save a much larger amount than they expect to raise from the manufacturers' sales tax. Please wire your objections to the Illinois Members of Congress, a list of whom is subjoined. Prompt, aggressive action is essential.

The executive vice president signs it, and then follows a directory of the Illinois Members of Congress and where they live in Illinois, so that they could send them two letters if they wanted to, one at home in Illinois and one here in Washington. Mr. Chairman, I denounce those statements that I have read from this distributed circular as deliberately and knowingly false on the part of the officers of this organization who sent it out. The man who sent it out is James L. Donnelly, executive vice president, and it is being sent out apparently with the approval of the officers of the association. Hon. Edward N. Hurley is one of the officers of that association. I wrote to him telling him what the charge was in this circular, what the statements were, and asked him whether he approved of it. You gentlemen all know Edward N. Hurley. He occupied an important place in Washington during the awful period of the World War. He is an economist. I found upon looking up the records over here in the Library of Congress that he has written 11 books on economic subjects. He knows what he is talking about. Many of you gentlemen have listened to Edward N. Hurley. He is an officer of this organization, and here is his telegram to me:

Your message to Chicago received. I am in full accord with the nonpartisan efforts of the Ways and Means Committee to pass a sales-tax bill along the lines unanimously reported out by that committee and supported by Secretary of the Treasury Mills and Speaker of the House GARNER. The business interests of the country must recognize that the costs of government must be met, and the more equally taxes are distributed, the less the burden will fall on any given industry.

EDWARD N. HURLEY.

That is what an economist has to say. That gentleman is one of the leading Democrats of this country, and that is what he has to say about it. He pays income in the higher brackets; he is one of the rich men of this country. We are going to take practically half of the incomes of the rich, who pay in the high brackets. We get him there, and he knows it, and in addition to that he is one of the great manufacturers of the United States, and we get him there, and he knows it. He ought to have a personal interest in the subject matter of this bill, and he has; but he is a patriot, an economist, and a Democrat, and he rises above personal interest. If we had more manufacturers in this country who were capable of doing that, we would get this bill through just as it is written and without trouble.

Mr. LaGUARDIA. Mr. Chairman, will the gentleman yield?

Mr. RAINEY. Yes.

Mr. LaGUARDIA. The gentleman refers to the Taxpayers' League, which I have always criticized.

Mr. RAINEY. I know the gentleman has, and very effectively.

Mr. LaGUARDIA. Is it not true that the Taxpayers' League and their contributors, particularly the bankers and other large contributors, as shown in the Senate hearings, have been advocating a sales tax all of these years?

Mr. RAINEY. I did not know it. If they have I congratulate them, and I am glad they have done something that was right, but they have not been doing it with much vigor since they have had a chance to get it. I did not know the organization was in existence now.

Mr. LAGUARDIA. Oh, they started again after we quashed them; but they have been very keen on a sales tax.

Mr. RAINEY. They have not been very keen since there is a chance for them to get it. I have not heard from them.

Mr. BRITTEN. Mr. Chairman, will the gentleman yield?

Mr. RAINEY. Yes.

Mr. BRITTEN. The gentleman just mentioned Mr. Edward N. Hurley, of Chicago. Although Mr. Hurley is a great outstanding Democrat, he was appointed by an outstanding Republican President, Calvin Coolidge, a member of the European War Debt Funding Commission, because of the character of the man himself. Mr. Edward N. Hurley is an outstanding character in the United States, irrespective of politics.

Mr. RAINEY. I am very glad to have that contribution about Mr. Hurley from the gentleman from Illinois. The gentleman knows Mr. Hurley as I do, and means everything that he says.

Now, I am wondering if the country appreciates what the deficit really is that we are trying to meet at the present time. The real deficit, including the financing of loans to veterans of \$507,000,000, in 1931 was \$2,123,000,000. We spent that much more than we took in. I figured out the real deficit for 1932, what it will be on the 30th day of June of this year, and I have included the commitments we have already made, such as \$500,000,000 for the Reconstruction Finance Corporation, \$132,000,000 for roads, the Federal land-bank appropriations, the appropriation for relief of farmers; and that totals up \$2,717,000,000. In order to get what I conceive to be the deficit at the end of this year—and in order to make it easier for me, as I am not much of an accountant to figure it up—I have just added to that amount \$160,000,000 for future commitments we may make during the remainder of this session. We will make more than that. There is the soldiers' bonus proposition—a possibility. There is the appropriation for a pension bill to widows and dependents and perhaps parents of deceased soldiers; there is the drainage relief bill; altogether I have mentioned enough possibilities to make much more than that, but I am only adding \$160,000,000 because it is a little easier to add that. It will be more than that. I have limited it to \$160,000,000, which makes our deficit for the last two fiscal years \$5,000,000,000. We ran that far behind. We are not paying any attention to that in framing this bill for 1933. That is water that has gone over the dam. We are not going to include it. That will be written into the national debt, and much of it is now added to our national debt.

Do you realize what a charge that will make? Suppose we could float bonds at $4\frac{1}{4}$ per cent for 20 years. We can not do that now. We never can hope to do better than that, but $4\frac{1}{4}$ per cent on \$5,000,000,000 added now to the public debt, would mean an annual interest charge on the people of the United States of \$210,000,000.

If we do not balance this Budget, if we continue to borrow, as some people think we can, it will not be long until we have an added additional interest charge that may equal the entire expense of maintaining the War Department. It will not be long, if we continue our prodigal methods of borrowing money, until we have added an annual interest charge that may wreck even this Government, not even taking into consideration the fact that some day we will be compelled to pay these bonds. Yet there are men, not many of them on this floor, who advocate that we should continue borrowing and that that is the way to finance this Government.

Our bonds are now selling below par, some of them selling as low as 85, and some $4\frac{1}{4}$ per cent bonds are being maintained now at par, but do you know how that is done? That is done by this great Government of ours. We are ourselves our own biggest trader in our own bonds, and the law wisely permits it. If it were not for the fact that back of that stock market in New York, which now maintains some issues of $4\frac{1}{4}$ per cent bonds at par, there was this great Government of ours, buying and selling all the time to sustain its bonds, there would not be a bond selling above 90.

That is the situation that confronts us. The United States Government does not have any assets. A great many people think it has. It is the biggest business in this world with no assets. The only thing the Government owns is its public buildings, and they never can yield a revenue, and its public lands. What is left of the public lands is only fit for grazing. The Government can not give them away. They are trying to do it. The only asset this Government has consists in its power under the Constitution to tax its people in order to maintain itself. We who sit in this House and those who sit in the Senate have a responsibility which we must meet with courage. We assume that when we come here. We are the directors of the biggest corporation in this world, and it has 120,000,000 stockholders. At the present time this great corporation, with almost unlimited wealth, depleted in value, but artificially depleted, is bankrupt. That is the way to express it. There is no other way, unless you restore its solvency. You can do that, and it is up to you to do it. Failure to tax the stockholders means continued borrowing to run this Government, a continued depreciation of its bonds.

I hope there are none here who do not want to balance this Budget; but if there are any who do not want to balance this Budget, they are simply voting to project into the future the present insolvency of the corporation which they represent here as directors.

This debate has proceeded far enough to convince me that this Budget is going to be balanced. [Applause.] That fight has been won. It convinces me that it is going to be balanced either by resorting to the manufacturers' sales tax feature or by resorting to the objectionable war measures which nobody wanted when they were imposed, but the people of the country were then in a furor of patriotic enthusiasm. With my limited means I bought bonds, and so did you. I bought bonds at par when they were selling on the market for less than par, and so did you. I would not do it now, and neither would you. We can only restore the solvency of this Government and sell more bonds by wiping out this immense annual deficit. If we do not do that, the deficit will be projected farther and farther into the future and will only increase in intensity.

I wonder if you, with the figures I have given you, know how much this Government is running behind every day. The deficit, calculated in that way, amounts to \$7,882,000. Every day we sit here debating this bill there is added to the deficit \$7,882,000—an almost inconceivable situation.

Now, this Illinois Manufacturers' Association tell us to balance the Budget by cutting our own salaries, and we have got to do it. That is coming. We have got to cut our salaries as well as our own. I have been advocating cutting the salaries of every Government employee who receives \$5,000 a year and more than that, 10 per cent, clear up to the President.

Senator BORAH advocated the same thing. I thought it must amount to something coming from that source, so I advocated it, too. I followed that leadership.

Do you know how much of a cost saving that would make? I put the figures in the RECORD on the 8th day of February. That would save \$3,400,000 in a year. That is all. In other words, by cutting every salary 10 per cent from \$5,000 up you would meet our Budget deficit for one-half a day of time. Cut it 20 per cent and you will meet our Budget deficit for one day of time, so tremendous is this proposition.

Now, if you cut everybody's salary 10 per cent, from the President down to and including the laborer who gets a few hundred dollars a year, do you know what the result will be? We will have met this present Budget deficit for eight days' time and that is all. So cutting salaries is not the way to meet the deficit, yet a great many people think you could do it. Make it twice that cut and you can figure out how much that would be. You can not save this Government by cutting salaries. But the railroads have set the example and the railroad employees have agreed to it. They have cut their salaries and we are going to have to cut everybody's salary, in my judgment. I will vote to do it—you can make up your own minds about it—from the very

highest to the lowest, not because it will accomplish much in meeting this Budget deficit; it will be negligible; but on account of the psychological effect upon the people of the United States in this period of stress and worry and terror. They must be convinced we are doing our part, even if it does not amount to much, to relieve this awful situation.

Now, may I tell you how we arrived at this deficit?

[Here the gavel fell.]

Mr. HILL of Washington. Mr. Chairman, I yield the gentleman 30 additional minutes.

Mr. RAINEY. This is the way in which we arrived at this Budget deficit. When we commenced our work the first of this year we were advised by the Treasury Department that the Budget deficit was \$903,000,000. That is what they told us. Bernard M. Baruch, of New York, a great economist, one of the world's richest men, and I might say, as you gentlemen know, a Democrat, came down to see us. It was on Sunday afternoon. I was at work in my office. I am reluctantly compelled to work now on Sundays. He found me in my office. I was doing essential work and, therefore, I square things with my Episcopalian conscience. He brought his expert economist, General Henderson, of New York, one of the most accomplished economists I know. They sat down and it was not 10 minutes until they convinced me that this deficit was wrong, that the real deficit was much more than that. Then I called up CHARLIE CRISP, who does not violate Sunday even if it is necessary. He was home. I told him I wanted him to come down at once on an important proposition, and he came. I disturbed his Sunday rest or his Sunday devotions, whatever it was. He came and the four of us sat down together. Charlie knows more about these things than I do. He is required to know more about it than I because he is running this committee now. It took less time to convince CHARLIE CRISP that this deficit was wrong than it took to convince me, because he thinks better and quicker than I do along these lines. We asked Mr. Baruch and his economist to remain over until the next day and appear before the committee.

Then we took the matter up with Under Secretary Mills, now Secretary of the Treasury, and presented to him what Mr. Baruch and General Henderson had told us. He said that the deficit he had already told us about was based upon last October's figures and that business had grown worse since October and, therefore, he said, they may be right about it. He said, "Send them up to see our experts; let them talk it over and we will arrive at a conclusion as to what this deficit is." They went up there and the result was that they fixed the deficit at \$1,249,000,000, an increase of \$321,000,000. Now, that increase of \$321,000,000 had occurred in two months' time, because the downward curve of business had continued. So we estimated the deficit at that figure. Mr. Secretary Mills said to us that figure was based upon the theory that the downward curve of business had reached its lowest point and from that point on the trend would be upward. That statement looked encouraging, but let us see what the facts have been.

I will now read from a confidential—no longer confidential because he agreed to this—statement made by Mr. John Moody, of Moody's Investment Survey, one of the most reliable investment studies we have, and Mr. Moody is an economist second to none. This is what he says with reference to the January situation. I will read now from Moody's Investment Survey:

January's statistics, now fully available, indicate that industrial activity instead of recovering fell back again to a new low level. February figures, as far as they can be obtained, show little, if any, improvement. There are no signs that trade is feeling even a normal seasonal activity. From evidence thus far available there is reason to doubt the appearance of a spring rise of normal proportions.

In mentioning the trade indicators, as he always does in reaching his conclusions, he says:

So far, these indicators have failed to show any sign of reversal of trend. On the contrary, steel activity, electric-power production, car loadings, building contracts and the like, all have refused to follow even normal seasonal improvement, and preliminary

statistics for February seem to indicate that this month, allowing for the seasonal factor, may be lower even than January, which in turn showed a decline of about 3 per cent from December.

And December, I might add, showed a decline of 3 per cent from November, and November showed a decline of 3 per cent from October, and this estimate is based upon the theory that the decline ended on the 1st day of January, and the trend was then upward. If two months of business decline can result in an increased estimate of our deficit of \$325,000,000, then the two following months of this year, adopting the same method of reasoning, may show the same increase in this deficiency. If this is true, this will add some more to the deficiency.

Now, let me tell you something else. In estimating our receipts for 1933, we estimate that the nations which will owe us \$270,000,000 in 1933 are going to pay us \$270,000,000 in 1933. I do not believe they will pay us a dollar of that amount; and if they do not, that still further increases the deficit by that amount.

Mr. DOUGHTON. Mr. Chairman, will my colleague yield?

Mr. RAINEY. Certainly.

Mr. DOUGHTON. Judging from the remarks of my colleague the gentleman from Illinois I am constrained to believe that the gentleman has no confidence that the bill now before the House will balance the Budget, as the gentleman has stated must be done. I would like to know if that is what the gentleman expects us to understand from his statement of his position.

Mr. RAINEY. I hope that the new confidence inspired by the courage of this House in balancing this Budget may cause a trend upward of business in the United States. [Applause.] I hope it will do it. I fear it will not; but because I fear it will not, I am not going to make matters worse by trying to balance this Budget with a false paper balance. I am going to vote for these measures I know will yield as much as we say they will; and if the deficit is going to be greater than that, for God's sake, we can not afford to make the condition worse by not balancing the Budget now, and, according to these figures, whether it will do it or not, we can not borrow any more. We may be compelled to make some more short loans next year in order to meet these things; but if you do not balance this Budget, gentlemen, or if you try to do it by a paper balance that will not yield money, I want to say to you now—and we have got to talk plainly, we directors of this great corporation who are assembled here now on the most serious business that ever affected the corporation of which we are directors—if we do not balance the Budget or come as near doing it as we can—if the future develops a deficit, that is not our fault—we are going to have here in the United States in the immediate future, and it may occur this summer, the biggest panic any nation ever had in all the history of this world.

Balancing budgets! They are doing it now in Europe. Russia, with her communistic government of which we do not approve, balances her budget, and her budget, gentlemen, is \$12,000,000,000 a year, and she has got it balanced. I was there this summer and I know what I am talking about.

Fascist Italy—they have there a kind of government of which we do not approve—Fascist Italy is now balancing her budget under a dictatorship, the very reverse of communism, and we are just as much opposed to a dictatorship as we are to communism. We occupy a different field from either of those countries.

Shall we timidly decline to do these things and admit that this country, the richest country of all the world, can not do what they are doing in a communistic government or what they are doing in a Fascist government?

Mr. LA GUARDIA. Will the gentleman yield?

Mr. RAINEY. Yes.

Mr. LA GUARDIA. Agreeing with the gentleman that the Budget should be balanced—

Mr. RAINEY. I know the gentleman agrees to that.

Mr. LA GUARDIA. Is the gentleman's view so rigid as to believe it can not be balanced unless we adopt a sales tax?

Mr. RAINEY. Oh, no; I did not say that. We can balance it by resorting to such objectionable taxes as my friend suggests—objectionable from my standpoint, not from his. The gentleman is just as conscientious as I am and I recognize the great service he is rendering here in this House.

Mr. CRISP. Will my colleague yield?

Mr. RAINEY. Yes.

Mr. CRISP. Is not a tax on gasoline, tobacco, automobiles, or any other matters of excise tax or tariff just as much a sales tax as the manufacturers' tax in this bill?

Mr. RAINEY. Oh, yes; of course it is a sales tax; but it is a sales tax that is most objectionable because the consumer knows he pays it.

Increased postage! The gentleman from New York has recommended it. That is a cheerful sort of situation for a candidate for Congress to face. He would have difficulties, or I know I would, getting over the hurdles this fall if that kind of campaign document were circulated against me in my district, so that every time any one of my constituents put his postage on a 2-cent letter there would be staring him in the face the additional 1 cent. I would not want that kind of campaign document circulated against me. It may be all right in the gentleman's district, but it would not do in mine.

Mr. LA GUARDIA. Is not that an earnest of good faith of willingness to balance the Budget?

Mr. RAINEY. It is unparalleled courage on the part of the gentleman from New York [laughter and applause]—a courage that I do not have—but I will do it if we have got to do it, I will say to the gentleman.

Mr. KELLER. I would like to know what would be the result, in the gentleman's opinion, in raising revenue if we should put everybody to work?

Mr. RAINEY. Well, my friend has given so much study to that question, I am going to let him answer it himself some time on this floor. [Laughter.] If he could get everybody to work under an insolvent Government which would balance the Budget, it would be a miracle that has not been equaled since Christ turned water into wine. [Laughter.] I hope it can be done.

Mr. KELLER. It can be.

Mr. RAINEY. I admit it, if you can put everybody to work it will do it; but how are you going to restore the buying power?

Mr. THATCHER. Will the gentleman yield?

Mr. RAINEY. I yield.

Mr. THATCHER. I am very much interested in the gentleman's wonderful speech; but I want to ask him if he has changed his sentiments on the sales tax on account of the existing situation or on account of further study?

Mr. RAINEY. I was induced by existing conditions to make that change.

Mr. THATCHER. And the gentleman thinks that is the best method to reach the trouble?

Mr. RAINEY. Yes. Increases in postage may appeal to some with more courage than I have. Taxes on cigarettes may appeal to you, but the ladies will know about that, because they like to economize and bargain. [Laughter.] You might place a tax on gasoline to be paid at the filling stations. I have not the courage to do that, as a first resort. Gentlemen who advocate it have more courage than I have.

Mr. HUDDLESTON. Will the gentleman yield?

Mr. RAINEY. I will.

Mr. HUDDLESTON. I wonder why gentlemen who have the supreme courage to propose an increase on postal rates do not advocate increasing the rates on newspapers so as to make them pay the cost of the service.

Mr. RAINEY. Oh, I am sorry the gentleman injected that into the bowels of my speech. [Laughter.] The question answers itself. I have trouble enough with the newspapers now. [Laughter.] The gentleman can answer that

later. He can answer it so much better than I can under the 5-minute rule, but I do not think it will do any good.

Mr. JOHNSON of Missouri. Will the gentleman yield?

Mr. RAINEY. Yes.

Mr. JOHNSON of Missouri. It was stated by some member of the committee that increasing the estate tax would probably produce sufficient revenue to balance the Budget.

Mr. RAINEY. Yes; you could take all of the estate, but we would not get any money when we need it. It would take the estates of men that are not yet dead. After they died it will take from a year to two years to administer their estates. Taxes will not be paid until the administration is ended of every man who dies from now on after June 30, 1934, and we need the money during 1933. This estate tax is going to prove a disappointment.

Mr. WOODRUFF. The gentleman does believe that what we are going to do is for the convenience of the Federal Treasury?

Mr. RAINEY. Nobody does anything for the convenience of the Federal Treasury. Most everybody has the impression that in some mysterious way money floats down from heaven and fills up the Treasury, and they think they send their Representatives to Congress for the purpose of getting it out [laughter], and not for the purpose of getting any more in. If you start to put any more in, you hear from the newspapers and the propaganda letters.

Nobody likes to pay taxes. Nobody ever did in the history of any nation in this world. I do not like it. I pay taxes because I am compelled by law to do it. I do not pay any more than the law compels me to pay, and I am not going to do it. Nobody else does. They are not voluntary contributions. They have got to be paid in order to carry on the Government.

May I tell you one place, however, in the United States where they do not propose to pay taxes. Out in the State of Illinois is the city of Chicago. They tried to run the city without compelling anybody to pay taxes. In 1927 their tax assessment was set aside by the court because it was fraudulent. The evidence showed that if you were assessed to pay \$1,000 in taxes on your real estate and you did not like it, all you had to do was to go to the courthouse and give some official \$10 and he would reduce the sum you had to pay to \$100. The court set that fraudulent assessment aside, and for two years they did not collect any taxes in the city of Chicago. It got to be tremendously popular not to pay taxes. The men who were in official positions naturally wanted to be reelected, because they pay big salaries out there. They did not want to incur the enmity of anybody and they all had constituents who complained about taxes, who did not want to be assessed at all. So they did not assess them. They had a perfectly simple way of financing that great city. Under the laws of Illinois a city can issue warrants in anticipation of tax collections to the amount of 75 per cent of the anticipated levy, and so with bands playing and flags flying and with tremendous enthusiasm which insured the reelection of all those gentlemen, they just borrowed the money and issued anticipation warrants. All they had to do was to spend a couple of dollars in printing some warrants and have them signed and borrow the money from the banks, \$155,000,000 or so at a time. It did not cost anybody anything except that the city was out \$2 for printing. What a splendid discovery that was, and how well it worked! How well it relieved them from the payment of taxes! They are going to try to levy some taxes now. They owe the State of Illinois on their tax contributions to the State \$75,000,000, and we can not make them pay it, and they probably never will pay it.

On account of that fact we are discharging county officials all over Illinois because of the new system they found in Chicago of conducting a great city without paying taxes. At the present time the city owes the school-teachers of Chicago \$24,000,000. The legislature has met three times at least in special sessions to help out Chicago, and all the legislature has done is to increase the borrowing power of that community. Enthusiastically, now they are trying to float \$300,000,000 worth of bonds. That will cost them a

little bit more. It will cost at least \$10 to print those bonds. But how much better that is than paying \$300,000,000 in taxes! How easy that makes it for everybody who lives in that great city. Why, even Al Capone did not pay any taxes, and he was the leading manufacturer of Chicago for a long time. [Laughter.] I do not see his name here among the directors of the Illinois Manufacturers' Association, and I do not know why they did not get him.

A MEMBER. Perhaps because he is in jail.

Mr. RAINEY. Yes; he is in jail; but not on account of violating any law, not on account of any murders that his gangs may have committed, nor on account of anything the authorities of the city of Chicago have done, because they did not want to do anything to him, but he is in jail because he did not pay his Federal taxes—taxes due on account of his bootlegging industry.

The Manufacturers' Association is responsible for more charges made on the Treasury of the United States than any other organization in the United States. They are responsible for the fact that we are building there in Chicago a public building which forms the nucleus of our public-buildings program, that will cost \$17,000,000, that will cost more than any other public building ever erected on the face of this earth, except, perhaps, this Commerce Department building down here on the Mall, which cost two or three hundred dollars more or two or three hundred dollars less, I do not know which. They are responsible for the millions spent upon the Illinois waterways and the Mississippi River. They are responsible for the fact—and you gentlemen who live in Boston may know it—that we bought the Cape Cod Canal. I voted for these expenditures. Every member of the Illinois delegation voted for them. They come here once a year and line us up and tell us what they want us to do. They have advocated always the very highest tariffs, until we have now a tariff of over 36 per cent—but I am not going to make a tariff speech, gentleman.

The CHAIRMAN. The time of the gentleman from Illinois has expired.

Mr. HILL of Washington. Mr. Chairman, I yield the gentleman 10 minutes more.

Mr. RAINEY. I have a distinct idea as to what caused our troubles, but I am not going to say anything about it now. When the house is burning down the thing to do is to put out the fire before you try to find out or even consider what caused the fire.

I shall omit a lot of my speech. I am ashamed of myself for taking so much time from other Members. I ought not to do it. I am now going to talk to Democrats, and you gentlemen on the Republican side need not listen, because this is just a private conference we are going to have on the Democratic side of the House, in executive session. First I shall read from a little statement appearing in the Washington Post of March 13:

Republican majority assured. Representative BERTRAND H. SNELL, Republican of New York, suave and forthright leader of the minority in the House, put the responsibility for the adoption of the tax squarely up to the Democratic leaders. Passage depended on the Democratic votes, he said, adding that a Republican majority would be behind the tax.

If he is right about it, can we, who are supposed to control the House of Representatives, go into the approaching campaign and defend ourselves if we make a worse showing than they do on the Republican side? Some of you gentlemen like to quote from Democratic platforms. I have been on platform committees more than once, and I drafted the plank opposing the sales tax. I was responsible for that plank. I did not believe in a sales tax then, and I am as much opposed to it now as ever, except that I am for it as an emergency measure. We put it in this bill only as an emergency measure. But let me read you from an authority who dates back further than any of your platforms. Those platforms now are erased temporarily.

In this awful emergency which confronts us those platform expressions of ours are obiter dicta. But let me call your attention to the expressions of a man who will live through the ages. More binding his remarks are upon real

Democrats than all the platforms we have ever drafted in the history of our party. Let me read to you on the Democratic side—I know it would not influence the gentlemen on the Republican side—and this is of particular force now as we celebrate the two hundredth anniversary of the birth of George Washington. This comes from an adviser of George Washington, from a man who wrote some of his communications which live to-day. I am going to read to you now an extract from a letter the founder of our party, Thomas Jefferson, wrote to General Washington 144 years ago. As decades pass and centuries pass the great Sage of Monticello towers higher, always higher on the horizon of the nations. Every one of you believe in him. The eloquent gentleman from Missouri [Mr. SHANNON] delivered not long ago in this House one of the most effective tributes to Jefferson I have ever heard. There is not a syllable in all the expressions of Jefferson that I have ever read, even after all these years, that I can not understand and appreciate and agree with. This is his letter, when this great country of ours was in its swaddling clothes. It shows how a great man, inspired as Jefferson was, can look forward through a century and a half of time and visualize what may happen.

In this letter Jefferson said:

Calculation has convinced me that circumstances may arise, and probably will arise, wherein all the resources of taxation will be necessary for the safety of the state.

That expression seems almost inspired as we examine into conditions to-day. The time that Jefferson visualized when he wrote to the Father of his Country 144 years ago has arrived, gentlemen. In order to preserve the country of Washington and the country of Jefferson and all those heroes of the early period of our history the time has come when almost all the resources of taxation, practically all the resources of taxation of this Nation, are needed in order to preserve the safety of the state. [Applause, the Members rising.]

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from New Jersey [Mr. BACHARACH].

Mr. BACHARACH. Mr. Chairman, for the past seven days this bill has been under continuous discussion. I doubt that I can add very much to what has already been said in favor of the bill, nor do I have any hope that in the few minutes at my disposal I will be able to change the pronounced views of those who have spoken against the sales-tax feature of the bill.

Much of interest and information is to be derived from observing what the opponents of the manufacturers' excise tax in this bill have said with regard to the position of the Treasury. The gentleman from Ohio declared:

This tax bill under discussion is not a Democratic measure. It has Andrew Mellon and his chief satellite, Ogden Mills, written all over it. (CONGRESSIONAL RECORD, March 16, 1932, p. 6274.)

It is a matter of record that neither Mr. Mellon nor Mr. Mills recommended the manufacturers' excise tax. Their plan for obtaining the revenue necessary to supplement the stream of income taxes so largely dried up was to have a set of special excise taxes, notably including the automobile tax and the tax on checks and drafts. That is all a matter of record in the last Annual Report of the Secretary of the Treasury to Congress and in testimony before the Ways and Means Committee.

The gentleman from Missouri [Mr. COCHRAN] takes exactly the opposite line from the gentleman from Ohio and urges that Treasury officials oppose the manufacturers' excise tax. He quotes a statement of the Secretary of the Treasury that many months would elapse before the necessary administrative machinery could be set up and a number of years before such a new form of taxation could be firmly established in the country. He also called to the attention of the House and inserted in the RECORD an article written by the present Under Secretary of the Treasury, Mr. Ballantine, in 1921, in opposition to the general sales tax. (CONGRESSIONAL RECORD, pp. 6274 and 6275.)

It is to be distinctly observed that that article was written in opposition to a general sales tax applying on all sales as

a substitute in large measure for individual and corporation income taxes. It was addressed to the conditions of 1921.

Mr. Ballantine stated:

This very consideration that the income tax diminishes in yield in bad years, of course, emphasizes the need of the Government to have at all times sources of revenue other than income taxes. Such sources can, however, be maintained as they have been without resort to the wholly inclusive general sales tax. So far as sales taxes are needed, and they will be needed for some time, use can continue to be made of taxes levied upon the sales of selected articles not of prime necessity and levied at one stage of the process only so as to avoid any cumulative effect.

The manufacturers' excise tax, as formulated by the committee, answers the doubts expressed by the Secretary as to whether the tax could be made such that it could be effectively administered. It answers the objections mentioned in the article of Mr. Ballantine referred to the unjust effect of a pyramiding tax. It answers the objection to the use of a tax resting on sales transactions as a substitute for income taxes.

In listening to the debate, I have been impressed with the fact that even though all do not agree on all of the provisions of the bill, yet there is almost a universal agreement of opinion that the National Budget must be balanced, and that there must not be any further increase in the public debt during the fiscal period ending June 30, 1933. And I dare to express the hope that in our effort to balance the Federal Budget we will not unduly unbalance the taxpayers' budgets.

There is one thing that I wish to stress right at the beginning of my remarks in connection with the framing of the bill which is now under consideration.

The Ways and Means Committee, which is charged with the responsibility of framing all revenue legislation, is composed of 25 Members of this House, representing all sections of the country.

There are 15 Democrats and 10 Republicans on that committee at the present time; the 15 Democrats are members of the majority steering committee, and in addition to that, three of them are members of the so-called policy committee of the Democratic Party.

I think I make no misstatement of fact when I say that the members of the Ways and Means Committee are all, without respect of political affiliations, honest, loyal, and patriotic American citizens; men, all of them, who have just as much at heart the well-being of the country as a whole and of their own constituencies in particular, as any Member of this House.

We have no more desire to inflict any undue burden of taxation on the people of our districts than you who have spoken against the sales-tax provision of the bill, and at least indirectly, if not directly, unmercifully castigated the Ways and Means Committee, or at least that part of its membership who are in favor of the sales tax, for daring to report out such a bill.

I have been a Member of this House since 1915, and I give way to no Member in my desire and efforts to serve my country and my district to the best of my ability; and that, I am sure, is equally true of the other members of the Committee on Ways and Means.

In drafting this bill the committee was actuated by the sole desire to prepare a bill that would bring in sufficient revenue to balance the Budget and at the same time equally distribute the tax burden in a way that will impede the return of prosperity as little as possible.

In deciding upon the recommendation of a general sales tax on manufactures, a decision which was reached only after long and diligent consideration, we were of the opinion that this course was preferable to endeavoring to select a very limited number of specified industries to carry the burden. The sounder policy is that one that treats all industries and taxpayers alike rather than to impose discriminatory taxes.

Now, why should there be such a hue and cry about a sales tax? There is nothing new about such a system of taxation. There is not a State in the Union where there is not a sales tax of some kind in operation, written on the statute books by the legislatures of the several States. If the Representa-

tives from those States do not know this, if the taxpayers of those States do not know this, it is solely because the operation of such a tax is no burden to the taxpayer.

Experience has proved such a system to be a satisfactory one; that is why the States have taken advantage of the sales tax. And if it is a good system for the States to follow, why is it not a good system for the Federal Government, particularly at a time when it is necessary to tap every available source in order to raise sufficient revenue to put our Government on a safe and sound financial basis?

I have no fear of such a tax, and I have no reason to believe that it will work any hardships upon the people of my district. As far back as 1921 I introduced in this House a bill advocating the adoption of a general sales tax. It is true that I did not get much support for the bill in committee; so little, in fact, that I had little hope of its acceptance at this time even in the modified form of a manufacturers' tax.

In many industries this 2¼ per cent rate will be no more than the yearly fluctuation in prices that the various competitors have to meet.

The experience in Canada, where a sales tax has been in operation for some years, has been that in a buyer's market a considerable portion of the sales tax is absorbed by the manufacturers, while in a seller's market a larger portion of the sales tax is passed on.

I believe that our experience under this bill will probably be the same as that of Canada. There will be some cases in which the tax will have to be absorbed by the manufacturer, such as upon articles that sell regularly at established prices. But on the whole, it is expected that wherever the price range will permit, the tax will be passed on.

Mr. COCHRAN of Missouri. Will the gentleman yield?

Mr. BACHARACH. I yield.

Mr. COCHRAN of Missouri. As I happen to be responsible for the statement that the gentleman referred to which appears in yesterday's RECORD, I would like to ask the gentleman what is the difference between a tax levied on the manufacturer, if that tax is added to the retail price, and a tax that the retailer would pay when the goods are sold? Both are passed to the consumer.

Mr. BACHARACH. If the gentleman will wait a moment I will try to answer his question. As a matter of fact, as I stated, in Canada many of the nationally produced goods which are manufactured in this country are offered at the same price. Of course, there may be certain commodities where the manufacturers can not absorb the cost and some portion of it may be passed on. The difference between the tax we are now presenting to you, a manufacturers' sales tax, and that of a retail sales tax is that in the latter the tax is placed at every stage of manufacture or production and at every stage in passing from the wholesaler to the retailer, so that there is a pyramiding of the tax of 5, 6, 8, or 10 per cent. In Australia they have a retail sales tax, and while the rate is but 6 per cent, as a matter of fact the tax is nearer 12 per cent, because of the pyramiding of the tax. The distinguishing feature of the tax in this bill is that it avoids pyramiding. That is accomplished by the licensing system which causes the tax to rest on the sale of the completed article ready for use.

To make this tax reasonably simple of administration it is necessary to keep the exemptions limited as much as possible. The more exemptions there are, the less revenue would be derived at the low rate fixed in this bill. But with the exemptions already provided for I am firmly of the opinion that the tax burden imposed upon any family will not be an unreasonable one, even assuming the entire sales tax is passed on to the ultimate consumer, which I do not at all admit will be the case.

The changes which we have made in the income-tax schedules, the gift tax, and the inheritance tax place the burden on the wealthy taxpayers at the highest point consistent with revenue production. Those of us who have had some experience in the framing of revenue legislation know that there is a point beyond which it is useless to try to collect revenue from these sources. There is nothing to

be gained by running the rates up to 65 or 75 per cent of one's income, if we can not collect any additional revenue, and in addition to that it is quite evident to all that there are few incomes these days so excessive as to tempt us to adopt confiscatory rates. Why put them in the law if they are of no value?

Mr. TILSON. Will the gentleman yield?

Mr. BACHARACH. Yes.

Mr. TILSON. Is it not a fact that there is great danger if the income-tax rate is placed very high, and especially the surtax rate, that great wealth will take advantage of the present low market for State and municipal tax-free bonds and invest there, and that we are running the risk of losing instead of gaining by putting the tax so very high, both as to the surtax and the normal tax?

Mr. BACHARACH. The gentleman from Connecticut is entirely correct. We know that a great many people of means now have put their money into tax-exempt bonds and are not paying a cent of income tax.

Mr. TILSON. And they can do that now and get 6 per cent on their money.

Mr. BACHARACH. Yes.

Mr. COCHRAN of Missouri. I would like to ask the gentleman if Mr. Parker was asked by the committee to give the committee information as to the amount of money that would be secured in the event the committee placed in the bill the surtaxes that were in force during the war period.

Mr. BACHARACH. I do not know that Mr. Parker was asked about that particular matter. Mr. Parker is a very efficient man. He is a man that I consult as much as I do any of the experts at the Capitol or in the departments in reference to tax matters. I have great respect for his judgment.

Mr. COCHRAN of Missouri. Well, is it true—

Mr. BACHARACH. I am going to answer the gentleman if he will allow me. Mr. Parker, to my knowledge, did not prepare such a table or statement as the gentleman is suggesting. What he did was to submit a plan based on three different methods, and it was left entirely to the committee which to accept. A subcommittee was appointed for that purpose and their report is what the full committee finally accepted.

Mr. COCHRAN of Missouri. I would like to get some information from the gentleman. Will the gentleman tell us what Mr. Parker said would come to the Treasury in the event you adopted a graduated tax above \$100,000?

Mr. BACHARACH. I do not think any additional substantial amount would come to the Treasury.

Mr. COCHRAN of Missouri. Can the gentleman advise us why the committee stopped at \$100,000 with the graduated tax?

In other words, a man reporting an income of \$101,000 pays the same rate of tax as the man that has an income of \$10,000,000?

Mr. BACHARACH. It is 40 per cent above \$100,000.

Mr. COCHRAN of Missouri. But under the bill a man who has an income of \$101,000 and a man that has an income of \$10,000,000 pay 40 per cent plus the normal tax. Both pay the same rate.

Mr. BACHARACH. And under the present law it is 20 per cent.

Mr. COCHRAN of Missouri. What does he pay under this bill?

Mr. BACHARACH. Forty per cent.

Mr. COCHRAN of Missouri. Is it not the same thing in both instances? How can the gentleman get away from the fact that the rate is 40 per cent in both cases?

Mr. BACHARACH. I wish the gentleman would use his own time to make his statement.

Mr. COCHRAN of Missouri. You stop at \$100,000 in this bill.

Mr. BACHARACH. Yes.

Mr. COCHRAN of Missouri. The gentleman admits it is 40 per cent in both instances?

Mr. BACHARACH. The rate is 20 per cent under the present law and 40 per cent under this bill.

Mr. COCHRAN of Missouri. I ask why did the committee not graduate the tax above \$100,000? You need the money.

Mr. BACHARACH. We followed the recommendation of the subcommittee which was well qualified to decide that question.

Mr. SNELL. Will the gentleman yield?

Mr. BACHARACH. I yield.

Mr. SNELL. Was there a single item or a single tax proposed either by the Treasury or by the Ways and Means Committee, but what various individuals from some parts of the country opposed it?

Mr. BACHARACH. Oh, they have opposed every item of the bill and every item that has been proposed.

Mr. Chairman, there is an old saying that "We can not have our cake and eat it too." Most of us who are now Members of this House voted for the appropriations which make this tax bill necessary, and now we have no choice but to provide the necessary revenue to meet them.

The manufacturers' excise tax as formulated by the committee is in truth neither a Democratic nor a Republican measure. It is the honest and inescapable conclusion of the Ways and Means Committee as a whole as to the only means of accomplishing the balancing of the Budget, and it is so framed and carries such exemptions as not to rest unjustly either upon industry, upon commerce, or upon the consumer.

At this time I want to express my regret of the unfortunate circumstances which deprived our committee of the services of our distinguished Chairman and our beloved colleague, the gentleman from Mississippi [Mr. COLLIER], and I am sure that I voice the sentiments of all of the Republican Members of the committee and of the House in rejoicing with him in his recovery to health. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from North Dakota [Mr. SINCLAIR].

Mr. SINCLAIR. Mr. Chairman, the theory of all equitable taxation is that it is based on the principle of "ability to pay." It should be the purpose of taxing authority to put that theory into practice in levying rates upon the people, in so far as it is possible to do so. We find that from the beginning of our Government the actual necessities of the family have usually been exempt from taxation in the raising of revenue. This is right and proper. The head of a family, with a wife and dependents, is allowed certain exemptions on his income tax over the single man, and from time immemorial the urgent necessities of the poor man have been free from tax in most countries.

Therefore it comes as something of a shock to the average American citizen to find the proposal of a general manufacturers' tax, covering nearly all family needs, included in the present revenue bill. The ordinary citizen, now earning barely enough to feed and clothe his family, will be subjected to this iniquitous tax. He will have to pay upon the every-day things of life the same rate as will the millionaire. He already bears an unjust proportion of the cost of Government. I maintain that while his earnings are hardly sufficient to meet living expenses he should pay no Federal tax. Under the provisions of the proposed bill a part-time employee, who unable to carry all family costs receives aid from charity, will be penalized by this most unfair tax. It seems probable that with such a tax on the shoulders of the poor man he will have to abandon all hope of ever acquiring more than the most meager necessities of life.

The sales tax will reduce the buying and consuming power of the average citizen and will cut profits in all lines of industry. It will, in fact, defeat the purpose of those advocating it, prolong present distressing conditions and the depression indefinitely. It is stated that approximately \$600,000,000 of revenue will be raised by the adoption of this so-called manufacturers' excise tax or, in plain language, sales tax. We are informed that this tax will be practically "painless" and that the people will not notice it. To this I take exception.

The fact is, according to economic experts, that a manufacturers' tax of $2\frac{1}{4}$ per cent will not be absorbed in the course of business exchange but will be pyramided to a tax

of at least 5 per cent by the time it reaches the consumer. What average citizen is there who will not feel an added cost of 5 per cent on each of the many articles and commodities which he has to buy for himself and his family? The few necessities exempt from the tax make up a very small portion of expenditures in the family budget. If the 5 per cent increase to the consumer is a reasonable estimate, and it seems probable that it is, then the \$600,000,000 sales tax collected by the Government really becomes the stupendous sum of \$1,200,000,000 when it reaches the ultimate consumer. An average of \$50 a family will be added to the cost of living. This is the burden which the committee proposes to impose upon the common people of our country in the effort to balance the Budget.

How can farmers, who in greater numbers each year are going bankrupt because they are forced to sell their products for less than cost of production, pay this sales tax? They can not do it. When the manufacturer buys from the farmer the raw products for processing, he will deduct the tax item from these products, thus forcing the farmer's price still lower. The purchasing power of the farmer will, as a result, be further curtailed. Likewise, when the tax is passed on to the laborer, he will receive no increase in wages with which to meet it. With the purchasing power of labor in the aggregate already cut \$11,000,000,000 by enforced unemployment from the peak of 1929, how can it be expected to pay this additional tax? It is preposterous to suggest it. Viewed from any standpoint, the manufacturers' tax is a direct imposition upon the farmers and workers of America, already overburdened. If adopted, the net result will be to reduce their purchasing power, slow up industry, lower our standards of living, and postpone indefinitely the day of economic recovery of the Nation. Desirable as it may be to balance the Budget it will be tragic to do this at the expense of our sorely pressed farmers and workers. [Applause.]

As a substitute for the sales tax, I would point out that we have several sources of revenue still untapped. We can step-up the tax on large incomes 10 per cent over the rates proposed in the bill. Estate and gift taxes should be greatly raised, and brought more nearly to the income-tax rates. Let us follow Canada in her rates on cigarettes and tobacco, and double the revenue from that source. Other strictly luxury taxes can be made higher. Finally, should all of these items not produce sufficient revenue, we can borrow the necessary money on short-time certificates pending the return of prosperity and normal taxing capacity. There can be no permanent prosperity until the buying power is restored to the farmer's dollar, which will be reflected in all industry. With diminishing returns on his product now, prosperity will never be attained by dragging him still deeper in the valley of debt and discouragement, which will be the inevitable result of a general sales tax. I shall vote to strike this section from the bill if given the opportunity. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from Virginia [Mr. LANKFORD].

Mr. LANKFORD of Virginia. Mr. Chairman, we have been listening this afternoon to the discussion of this measure, and I want at this time to pay a tribute of thanks and appreciation to the gentleman from Illinois [Mr. RAINEY], who has spoken so instructively on this bill. [Applause.] To the readers of the CONGRESSIONAL RECORD I want to refer them to his address for information about the bill.

I have great confidence in the committee. I am not on this committee, and I have not had the benefit of the committee hearings, but I have listened with great interest to the debate. I expect that I have running through my mind the same point that has been running through the minds of others here to-day. I want to give my impression of the bill, as gathered from this debate. I am going to vote for it, although there are some items in it that I do not like. I shall offer an amendment here and there when the bill is under the 5-minute rule.

The thing that bothers me the most is the question, Is it absolutely necessary to balance the Budget? Is it essential?

Because, if it is not essential, we should not impose these additional burdens on the people at this time.

I believe myself that it is essential. The committee has passed on it, and the committee is composed of able men, among the ablest in the House, men who have been here many years, like the gentleman from Illinois [Mr. RAINEY] and the gentleman from Massachusetts [Mr. TREADWAY] and others—they have had complete hearings on the bill and they have given us the benefit of their opinions. All agree that it is absolutely necessary to balance the Budget.

Now, there were some things in the speech of the gentleman from Illinois that I did not agree with. I do not agree that there is any doubt about the stability of this Government. I can never agree with any suggestion on the floor of the House that this country's credit is not absolutely safe. The country is lacking, not in stability and resources, but confidence may be lost in us, the Members of this House, if we do not balance the Budget. That must be done.

Now, as to the question about the sale of bonds. One thing that I resent more than anything else that has been said on the floor of the House was said by one of the gentlemen here yesterday, a suggestion that the bankers told some member of the committee, dared to say to this Congress, that if the Budget was not balanced this Government could not get the money it needed.

The idea of these bankers, who sold billions of dollars of worthless foreign bonds to our citizens, saying to this Congress, "If you do not do thus-and-so, we are not going to lend you any more money. I resent that statement by the bankers of the United States to their Government. The only doubt that remains in my mind is doubt of the ability of this Congress to balance this Budget, but I sincerely hope it is going to be done.

I thought that the constituents of my district would be interested in this bill. I live near by—in Norfolk—only about 200 miles away. I went there to see what their impression was. Business men, bankers, newspaper editors, the average man on the street believed in it. I did not find a single man who was not in favor of the bill. They said to me that I was to judge of the necessity for it because I would hear the debate, and if I thought it was necessary they said that they thought I ought to vote for it.

Let us look at the effect of this. A member of the committee said the effect of this tax was that if one spent \$1,000, with the cost of manufacturing less than the cost of final sale, the tax being absorbed by a good many of the factories themselves, it would cost \$8 per \$1,000, or \$4 for \$500 on retail purchasers. In an emergency of this kind, with this country in the condition it is, in order to balance the Budget, does any patriotic citizen object to \$4 on \$500 of purchases? Is not this a graduated tax? Take a suit of clothes. The man who buys a \$100 suit of clothes pays four times as much as the man who buys a \$25 suit of clothes, and I have estimated the tax on a \$25 suit of clothes, which is sold by the manufacturer at about \$12, at 25 cents. Is that any very great burden on a citizen who is willing to do his duty, as I know all of the citizens of this country are? What other course have we to pursue, assuming we are going to balance the Budget, if we do not pass a manufacturers' tax? There is the suggestion of the gentleman from New York [Mr. LA GUARDIA] to institute these nuisance taxes, and I am frank to say that I have not the courage to go to my people and say that I voted to put a tax on their checks, notes, and deeds, and increased the cost of stamps to 3 cents, or for a tax by which they would remember me every time they put a stamp on a letter. I have not the courage to do that. This is a much easier tax; it is more satisfactory, it seems to me.

Another suggestion is cutting the salaries of the Government employees. That raises another question. As far as I am personally concerned, I am perfectly willing to cut my own salary. The gentleman from Illinois [Mr. RAINEY] said that a half day's deficit would be what it would save to cut the salaries above \$5,000, and probably eight days if you cut them all down by 10 per cent, but let me tell you this: A day or two ago we had before our Naval Affairs Committee a

young naval officer, a young man who is married with two or three children. He is required to keep up to a certain extent his appearance. He has to present a good appearance. He told us after cross-examination that he had not been able to get a suit of clothes for two years. That is the condition that he is in with his expenses, and he is giving the best of his thought and effort to the defense of this country. The timid little men and women who come into our offices from day to day with salaries of \$1,400 to \$2,100 appeal very much to us, and is this great Government going to save its face and take this tax off the business interests of the country at the expense of these Government employees? I hope not. I shall not vote for it unless you go above the five or six thousand dollar grade, and if it is necessary to convince the country that this Congress is in earnest, that will be the reason I would do that.

In conclusion, Mr. Chairman, a remark was made several times to-day about the condition of the country as compared with other countries. I wish the gentleman from Illinois had named the countries in Europe that he said were not suffering and were happy and prosperous. I do not know of any. I know they have had trouble in England. I know the pound was worth \$4.86, and has now dropped materially. I know the franc dropped from 20 cents to something like 4 cents. The mark has gone to pieces. I do not recall the names of the other coins of the countries of Europe and South America, but I do not know of a country in Europe, Asia, or South America whose currency or bonds have not fallen. The dollar of the United States is worth a hundred cents just as it has always been, and in spite of the trouble the world is in at the present time, the dollar is still good and worth its face value. I am going to follow the committee, because I believe the committee is right in keeping that dollar there at its full value of 100 cents. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from Pennsylvania [Mr. Stokes].

Mr. STOKES. Mr. Chairman, this Government, and the entire Nation—cities and municipalities, as well as individuals—have contracted a habit of reckless expenditure.

A wave of speculation swept over the country which encouraged a large amount of borrowing, which was one of the many causes of the unsettlement.

If this sales tax will balance the Government's Budget and thereby set the example to every city, town, municipality, and individual in the Nation, it will do a tremendous good to all, especially the workingman.

We, as the Representatives of the people, are charged with the duty of promoting the general welfare.

The first step in promoting the welfare of the country, and especially of the workingman, is to restore trade, industry, and commerce, and this can only be done by inspiring confidence.

Due to the lack of confidence United States Government bonds fell from 100 in September, 1931, to 84 in December—or 16 per cent. Now, due to restorative measures, they have gone back to 90. Bank failures have ceased, and hoarding of money is declining.

There are only two ways of paying our bills—by taxation and by borrowing. We have somewhat over \$1,000,000,000 of Government notes maturing this year, which will have to be paid off in cash. These will require, therefore, the borrowing of a large amount of money. Any additional borrowing would be embarrassing and hurtful to Government credit.

The entire Nation, aye, the world, are watching us, for our deficit is larger than ever before was known. This is a big undertaking, but it is necessary to produce big results.

The income tax will not produce the result or bring in nearly as much as last year; it has fallen by at least one-third.

Unquestionably, one of the many causes of the depression is heavy taxation, but this tax does not bear heavily on business or real estate or trade, and consequently by helping these things we will help the laboring man by tending to restore good times.

Those who oppose this Budget settlement assume the responsibility of making a new one.

Public opinion generally seems to be favorable to it, because it bears lightly on all, heavily on none.

As soon as we can adopt a policy of economy this tax can be repealed.

I feel sure the House will sustain the Ways and Means Committee on its recommendation in this important measure, and thus maintain its good reputation; that labor may agree with this measure; that the rich may help the poor; that by harmony and unity we can best succeed.

What is best for one is best for all. "United we stand, divided we fall."

The leopard shall lie down with the kid; and the calf and the young lion, and fating together, and a little child shall lead them.

[Applause.]

Mr. HARE. Mr. Chairman, I had thought that probably we would be able to get sufficient time to discuss this bill in more or less detail, because there is no doubt it is one of the most important pieces of legislation to be presented to the Congress at this session. The question of taxation is always important. At this time it is exceedingly important.

No one would contend that any government can function successfully without sufficient revenues. The two methods usually employed for raising revenues are by taxation and through loans. In determining whether they should be raised from loans or from taxation it is important to inquire into the use to be made of such revenues. If they are for the purpose of meeting the usual or ordinary expenditures of government, it is better to raise them by taxation; but if they are to be used in channels of business or trade of a productive nature, or if they are to be used to meet expenditures in time of war or any other great emergency, there can be little doubt but what they should be obtained from loans. Of course, there is a school of political thinkers dating as far back as the time of Adam Smith and David Ricardo who think that governments, like individuals, should pay as they go and do so by levying taxes, whether it be in peace time or in war or any other great emergency.

The general basis for such a school of economic or political thought is that a policy of this kind prevents imprudent and extravagant expenditures by those charged with the responsibility of directing affairs of the Government. The wisdom of such a policy and the political effects are readily understood when we realize that the people generally have a great aversion to heavy taxes. It is contended that when the people's representative in a State legislature or in Congress fully realizes that increased expenditures must necessarily mean increased taxes, and when he knows that if the people are fully informed they will register their protest at the next election, such a representative will be more cautious in supporting measures providing for increased expenditures.

However, as I have already intimated, there is another class of political thinkers who hold that in times of war or other great emergency any increase in revenues should be obtained by loans in preference to burdening the people with additional taxes. While I am not setting myself up as an expert economist, I am inclined to support the idea that revenues in times of war or great business depressions similar to that in which we now find our country should be obtained through loans from the people rather than imposing increased taxes.

As a rule revenues obtained by loans come from funds unproductively employed; and if such loans are to be put to productive purposes, it is easy to see that the operation enlarges productive activities and enlarges the opportunity for increased employment and, therefore, results in a greater capacity for consumption, which, in turn, affords greater opportunity for further employment.

What is the situation that now confronts us? For two years we have had a business depression unparalleled in our history. At no time in the past do the records show we had

a greater number of people without employment. At the last session of Congress and up to the present time at this session a great deal of legislation has been enacted upon the theory that such legislation would stimulate business and afford opportunities for increased employment. It is my understanding that the necessity for additional sources of revenue is for the purpose of supplying funds to meet the appropriations made for the purposes just mentioned. In other words, as I understand the situation, these additional revenues are for use by various productive activities, designed almost exclusively for the purpose of increasing employment. If I am correct in these assumptions, there seems to be little or no doubt that from an economic standpoint the proposed revenues should be obtained from loans rather than taxation.

On the other hand, I contend that it would not only increase the burdens of the taxpayers to levy an additional tax at this time, but it would have the effect of decreasing business and increasing the number of unemployed. I think my idea can be best illustrated by referring to that section in the bill under consideration that provides for a manufacturers' or sales tax.

As I understand, the committee contends that this provision will raise a revenue of \$600,000,000 annually. My contention is it would be much better for the country to borrow \$600,000,000 under existing circumstances than to collect it from the producers of raw material, the manufacturers, or the consumers. For there is no doubt but what each will be called upon to pay a part of the tax and, as we have already stated, the loans will come from funds that are being hoarded or are unproductively employed; that is, such funds as are not contributing in any way whatsoever towards increased business activities or relieving unemployment. But if you take \$600,000,000 out of the country in the way of a sales tax, there can be no doubt but what you collect it from a fund that is productively employed. In this way you decrease the amount of money available for continuing or increasing business and, as a consequence, you not only prevent the possibility of increasing employment, but you are contributing directly toward increased unemployment and you are removing from the channels of business the thing which is absolutely necessary for increasing business or increasing employment, to wit, \$600,000,000 of actual money.

I am not unmindful of the fact that there is a deficit in the Treasury, but I am convinced that you can not wipe out that deficit by continually appropriating money upon the pretext that it is for the purpose of aiding the people and at the same time enact legislation requiring them to refund it in the way of taxes. It is like giving a baby candy and then taking it away from him.

If there is such a deficit in our Treasury as to require emergency legislation, my suggestion is that we reduce governmental expenditures and then issue bonds and sell to the people sufficient to meet the balance due, add the amount to the public debt, and pay it off when times get better. We can afford to pay taxes when times are good, but it would be a tragedy to increase taxes under the present depressed conditions.

I can understand how important it is to balance the Budget, and I yield to no one a greater desire to see the Budget balanced, but in times like these I think it the better part of wisdom to balance the Budget by decreasing expenditures than by increasing taxes. There are a number of ways to balance the Budget without resorting to a sales tax. As I have already stated, expenditures should be materially reduced; then we should increase the rate on incomes. I do not have the figures to show how much revenue could be raised by increasing the income tax, but I would favor a decided increase, because nobody pays an income tax who does not have an income sufficient to support himself and family. That is, the man who pays an income tax must first have the income, whereas under the proposed sales tax you may require a person to pay a tax when his income may not be sufficient to buy food and clothing for his family. His children may be hungry and cold, and yet when he goes to buy shoes to put on their feet or clothes to cover their nakedness you require him to pay a tax on the articles he

buys. It is just another way of levying additional tariff duties; that is, the sales-tax provision is equivalent to a supplemental tariff act. It is wrong in principle and objectionable in operation. This is particularly true as it applies to those engaged in agriculture, where the farmer pays a tax when he sells his raw material and then again when he buys the manufactured product.

For example, you will find when the cotton or tobacco farmer goes to sell his cotton or tobacco he will be told by the manufacturer that he can not afford to pay quite as much because of the Federal tax, and then when the manufacturer has processed the raw material and goes to sell he will say that he will have to increase the price of the manufactured product in order to be able to pay the sales tax. So the cotton and tobacco farmer loses when he sells and again when he buys. Another discrimination we notice is that under the proposed provision the manufacturer will get a certain amount of protection in addition to existing tariff laws in that the sales tax is levied on all manufactured products imported in the same manner as those manufactured in the United States. However, farm crops brought from abroad are exempt from payment of the sales tax, and the American farmer therefore gets no protection by the transaction but, on the contrary, is penalized both as a producer and a consumer.

The proposed sales tax would have the further effect of depressing or delaying an increase in the price of raw materials in a number of cases. For example, the cotton manufacturer, as well as the small lumber manufacturer, in most cases have a supply of raw material for a greater portion of one year. Of course, under the circumstances they could hardly pass the first tax levied on to the consumer for the reason that they would not be in a position to increase the price of their manufactured products. However, as soon as they go into the market for raw materials there is no doubt but what they would first deduct from the price of the material the amount of the tax they have already paid, as well as the tax to be paid next year. The result would be a reduction in the price of cotton as well as timber. So in the last analysis the producer of the raw materials would be required to pay the taxes in instances of this kind; or the small manufacturer, in the illustrations given above, would be called upon to pay taxes in such proportions that their operations would have to be curtailed and the number of employees in their establishments reduced, a condition we have been trying to relieve in nearly all of the legislation enacted at this session of Congress.

I can not conceive, by any stretch of the imagination, where the advocates of the manufacturers' sales tax can say that this legislation will increase the number of people who are to be employed, because the funds are not available, and this legislation does not make them available.

I was not favorably impressed with the statement by the majority leader this afternoon when he said that this piece of legislation would have a psychological effect, in that business would enlarge and employment would increase. If this had been the first time I had heard the statement, I would have been inclined to accept it, coming from such an authoritative source; but I remember last December we were told that if we enacted the emergency bill providing for a moratorium of foreign debts it would have a "psychological" effect on the business of the country, and employment would increase. Some accepted that assurance and voted for the bill. Subsequently we had a bill providing for an appropriation of \$500,000,000 and to create the Reconstruction Finance Corporation. We were told then that the passage of the bill would have a "psychological" effect on business, and industry of the country would soon begin to bloom and blossom as the rose. That has been nearly 60 days ago, and yet the majority leader [Mr. RAINEY] told us this afternoon that during those 60 days business has been going from bad to worse.

Mr. YON. Will the gentleman yield?

Mr. HARE. I yield.

Mr. YON. Does the gentleman believe that if we return the commodity price levels upward it will be necessary to have this sort of a tax bill? The natural prosperity would

bring more revenues than we could get under this present basis.

Mr. HARE. I will answer that in this way: If the passage of the moratorium had had the "psychological" effect the proponents of that measure said it would have, or if the passage of the Reconstruction Finance Corporation bill had had the "psychological" effect that the proponents said it would have, and if the other measures had had the "psychological" effect the proponents said they would have, business would have been better, income taxes would have been larger, and the deficit, instead of becoming larger and larger every day, would have become smaller as time went on, and there would have been little or no deficit at this time; but the "psychological" effect did not materialize, and I fear that the "psychological" effect of this legislation will not materialize.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman five additional minutes.

Mr. HARE. Mr. Chairman, the gentleman from Illinois [Mr. RAINEY] this afternoon—and he made a wonderful speech, although I am not able to subscribe to all of it—said the operation of this tax would be such that the people would not feel it. They may not feel it, but they will know it. That is one trouble now. We can not always tell why our incomes are not equal to our expenditures. We know they are not. The farmer, the laborer, and business man all say, "We are working as hard to-day as ever, we produce as much and our prices are as good as they were at one time years ago, and yet we can not make both ends meet." Yes; they will feel it, but they may not know how it comes about.

If this tax is as fruitful as the majority leader says it will be, or if it is as harmless and as painless as he predicts, then I fear it will become a permanent policy of taxation. As a matter of fact, I have a decided suspicion that if this provision of the bill is retained there will be a determined effort within the next two years to make this system of taxation a permanent policy, because I have an impression that the big manufacturers are in favor of this legislation. If they were not supporting it, there is no doubt but what they would be registering pronounced opposition. The hearings on the bill were quite lengthy and I am unable to see where the large manufacturing interests appeared and objected or protested in any particular way. I have the further impression that the reason for their failure to appear and oppose this proposed legislation is that if it becomes a law they will then attempt to make it a permanent policy, and in addition they will attempt to amend the income tax laws, the excess profits tax law, and the corporation tax law, for they know they can pass the sales tax on to the producer of the raw material or on to the consumer of their products much easier than they can pass the other taxes enumerated.

Surely the mass of the people will not indorse this provision of the bill, and it is impossible for many of us to understand why it should be brought in here under the circumstances. Not over three months ago President Hoover was insisting upon the passage of a bill that would relieve foreign countries of debts due the United States to the extent of approximately \$250,000,000. He certainly led the country to believe that we were able to finance our own obligations at home and at the same time relieve the foreign countries of their obligations to us. Now, within less than 90 days later, he comes and insists, through the Secretary of the Treasury, that unless additional taxes are levied and collected from the American people the credit of the United States will be seriously impaired and bankruptcy will be staring us in the face. If these latter representations are true, I can not understand why they were not able to see the situation three months ago. [Applause.]

The CHAIRMAN. The time of the gentleman from South Carolina has again expired.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield 15 minutes to the gentleman from Florida [Mr. YON]. [Applause.]

Mr. YON. Mr. Chairman, I am interested in the financial welfare of the people of this Nation as well as of their Government. It is almost staggering to think how much debt the individual, firm, or average corporation of every part of this country is in at the present time. In addition to these mentioned there are to be added the municipal, sub-district, county, State, and National public debt, and besides expensive governmental machinery in most instances to maintain, and the cash to pay taxes for interest and create sinking funds for maturing obligations, besides funds to meet current and future expenses of government are to be derived from commodities that are selling for less than the cost of production. Now, what is going to happen? I venture it is a hard guess for Members of this House to answer.

As a boy growing up on the farm down in west Florida during the so-called hard times under the Cleveland administration, I could not even then imagine that there could exist such a distressed national financial condition as that of the present time. Even then, as we look back, those days were not comparable to the present in their severity as to the extent that millions are now out of employment. Nor were the prices of farm products in their purchasing power and the ability of the price to pay outstanding debts, both of private and public nature, as incapable as now. Neither the municipal, county, State, nor National Governments were as deeply and head over heels in debt as at the present time. In my district the price of cotton this past season was hardly sufficient to pay for picking, ginning, bagging, and ties, let alone leaving anything with which to pay debts and taxes, which have increased by leaps and bounds for local, State, county, and city governmental expenses. The cost of State government in Florida has increased per capita from \$3.78 in 1917 to \$12.11 in 1930.

Bonds have been issued generally in the name of progress, for good roads, consolidated schools, improvements of streets and so forth. The conditions in my district, even, are causing the taxpayer to struggle, yet I venture to say there are thousands of communities in worse condition than mine. Of course, many economists will say that the average American wants to enjoy too much—the auto, good roads and streets, the radio, the talking movie, consolidated schools, and so forth; that these are the reasons for the present condition amongst our farmers and city employers and employees. Well, this might be true at the present time, but still these things have become a part of our national life, and it adds to the tragedy that in a land of plenty when farmers are suffering on account of low prices for products that there is at the same time want and misery amongst the industrial and office workers of the country. These conditions, having come about for the reason that the administration of government during the past several years has not taken cognizance of the speculative and gambling activities of those operating in the stock and commodity exchanges. The Federal Reserve Board should have clipped Wall Street's wings before the gamblers had gobbled up the savings of millions of people not able to stand the losses they sustained when the crash came, and the depression that has followed. Debts are now to be paid with dollars that will require from three to five dollars' worth of the commodities to pay what \$1 would have paid when obligations were contracted.

Well, what is the remedy or what are we going to do about it? Deflation has been rampant long enough. A larger circulation is necessary; inflation will have to take place so that cotton, corn, wheat, timber, turpentine, hogs, cattle, and other raw-material products prices will advance sufficiently that the price will enable the producers to retire their obligation and enter the market for manufactured articles that every home needs.

This will have to take place or sooner or later a cancellation of private and public debts will have to be made, or there will be a general defaulting in all obligations for the reason that the dollars of 1932 will not do the work of 1913 or pre-war dollars in so far as meeting obligations incurred, on the basis of our recent so-called prosperity prior to the fall of 1929. The present-day dollar can do things, though, that the 1913 dollar could not do. It can pay for more

cotton, wheat, corn, turpentine, and many more of the raw-material products than the 1913 dollar could pay for, but even yet the present-day dollar is far below the value of the 1913 dollar in its capacity to meet the present-day obligations in buying manufactured products, paying taxes, and other outstanding obligations.

In the recent issue of *Business Conditions Weekly* some interesting and astounding figures are given in comparing national income, its growth and fall since 1912, and also the increase in cost of government of Nation, State, and local, and the cost of government up to the present day. In 1912 the cost of government, as mentioned above, was approximately \$2,000,000,000, or 6.1 per cent of the national income of approximately \$33,000,000,000. In 1924 cost of government was \$10,800,000,000, or 12.2 per cent of income of \$85,200,000,000; and in 1931, with a decline in national income of over \$31,000,000,000, the cost of government for Nation, State, and local continued to increase to the astounding total of over \$12,000,000,000, or over 22 per cent of national income of \$54,000,000,000. The cost of all government is too much in almost all instances. The cost must be reduced.

Now, members of this committee, the American people and its governments are facing a crisis in the financial condition. Taxes can not be collected to cover the necessary budgets to meet the enormous demands now being made to meet the obligations of government, National, State, or local; that is, under the present existing conditions of our economic life. Either the cost of government has got to be drastically cut in every way possible or inflation will have to take place. The levying of a so-called manufacturers' or general sales tax will not save the situation. The States, counties, and other local subdivisions of government will not derive a benefit from any of the above-mentioned national levies. The local taxes back home are load enough to carry without the Congress adding to the burden of the average local taxpayer as proposed in sections of this bill under consideration.

To meet the needs of the National Treasury I would like to have the House strike out the sales tax and substitute the provisions as an amendment relating to inheritances as explained by the gentleman from Maryland [Mr. Lewis] or the substitute suggested by the gentleman from North Carolina [Mr. Doughton], or at least something besides this sales tax. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield five minutes to the gentleman from Texas [Mr. Cross]. [Applause.]

Mr. CROSS. Mr. Chairman, zealous in the advocacy of their cause, Members in attempting to convince their colleagues often use passionate, burning words, but with no intention of questioning the sincerity and patriotism of those who differ with them and whom they know to be just as honest in their convictions as they themselves. [Applause.]

This bill represents weeks of hard and tedious labor on the part of the Ways and Means Committee, and it is now in this House to be analyzed, criticized, and tested in the welter of debate. And when the last appeal has been made, and having reached our conclusions, an unshirkable responsibility rests upon each of us to cast his vote in accord therewith, irrespective of political consequences. I can indorse most of the provisions of this bill, including the increased rates on incomes, on estates, as well as the tax on gifts, and feel that present conditions would justify even high rates; but after weighing the many able arguments, both pro and con, I am convinced that to leave in this bill the so-called manufacturers' excise tax would be a tragical mistake. Gentlemen, this so-called manufacturers' tax is an indirect consumers' tax; and, being an indirect tax, it is a deceptive, cowardly tax, cloaked in hypocrisy that the victim may not know what is happening to him. The indirection results in taking much from him that does not find its way into the Treasury, while under a direct sales tax the consumer would pay much less and the Treasury would receive the same amount as in the case of the indirect tax.

To illustrate, if a product cost the manufacturer \$100 and he pays the Government $2\frac{1}{4}$ per cent, it would make the product cost \$102.25; and if he sells his product to the retail merchant so as to net him 20 per cent, the retail merchant would pay him \$122.70, and then if the retail merchant sells to the consumer for a profit of 50 per cent the article will cost the consumer \$184.05. Now, had this \$2.25 been collected from the consumer instead of from the manufacturer the article would have cost him \$182.25, but by collecting it from the manufacturer the consumer is made to pay \$4.05, or nearly twice as much as the Government receives. Thus by this indirection do we mulch him to deceive him. And if you collect, as you estimate you will under this bill, \$600,000,000 from the manufacturers, it will result in taking from the consumers not less than a billion, but \$400,000,000 of it will never reach the Treasury. If we must lay this unjust tax upon poverty, let us at least not charge it \$400,000,000 to deceive it. [Applause.]

Gentlemen, this is the beginning of a move to further impoverish the masses for the benefit of a class. The unrevealed purpose is the gradual abolition of the income tax and the substitution of a constantly increasing consumers tax, and thus to release from taxation the vast unearned incomes and transfer the burden to the farmers' implements of husbandry, to the mechanics' tools, and to the backs and stomachs of the toiling millions.

The able gentleman from Georgia, the acting chairman of the Ways and Means Committee, in explaining this bill to the House, stated that it was regrettable that 8 per cent of the people owned 90 per cent of the wealth of the country. Recently a distinguished Senator at the other end of this Capitol declared that 4 per cent of the people of this Nation owned 96 per cent of its wealth. But let us assume that the gentleman from Georgia is correct, then let those on the right side of this aisle represent the 8 per cent of the population that own 90 per cent, nine-tenths of the Nation's wealth, and these on the left side of this aisle the 92 per cent of the population that own only 10 per cent or one-tenth of the Nation's wealth. In order to protect the citizens in the possession of their property, it is necessary that we collect taxes to maintain a constabulary, a judiciary, as well as an army and a navy. That is the purpose of the \$600,000,000 that is to be raised by this sales tax and by it you say to those on the left side of this aisle who own but 10 per cent of the wealth of the Nation, you must pay 92 per cent of the \$600,000,000, or \$552,000,000; and then you turn to these on the right side of this aisle who own 90 per cent or nine-tenths of the wealth of the Nation, and you say to them, you need pay only 8 per cent, or \$48,000,000 of the \$600,000,000. By this consumers' tax you say to this side that represents 92 per cent of your population, the poverty-stricken, toiling masses of your population, many of whom are jobless, you say to them, though you have not sufficient clothes to keep you warm, though you have not sufficient food to stay your hunger, yet you must eat and wear less.

Gentlemen, organized wealth with all of its tremendous, insidious influence is back of this consumers' tax, and organized wealth is making a stupendous, stupid mistake. There is a nervous, dangerous unrest among the masses. True or not, there is a deep-seated feeling brooding in them that the wealth of this Nation has become concentrated in the hands of a few as the result of unjust class legislation. In these troubled times I beg you not to add to their burdens and increase their discontent. [Applause.]

Gentlemen, the great moneyed interests of this country are largely responsible for the present deplorable condition, for they have not acted wisely in expatriating in recent years more than twenty billions of American dollars, the product of the brain and muscle of American labor, and enlisting it in the ranks of foreign commerce to employ cheap foreign labor to produce products in competition with domestic factories, putting them out of business and labor out of employment.

But we are told that we should balance the Budget without delay. But why such haste? The President has recently

more than once declared that we are at war—fighting a depression that is more tragical than any war that ever gripped the Nation. What nation ever attempted to balance its budget during time of war? I assert that an unbalanced budget now and then is not an unmixed evil. The legislative halls throughout the nations never cease to ring with the cry of economy, but as long as treasuries are flush it is a cry that falls on deaf ears. It takes an unbalanced budget and empty treasury to get results by forcing economy. Experience demonstrates no Congress will practice it with a surplus in the Treasury. Necessity is the mother of frugality. But if, as some of you say, the Budget must be balanced, then let us say to this 8 per cent, "Since your vast wealth has been made possible by the labor and consumption of these teeming millions, and since you own the billions of nontaxable securities of the States, counties, and municipalities, since you own the billions of tax-exempt income-tax-escaping Government bonds, the value of which you claim are to be enhanced by the balancing of the Budget, then"—let us say to them—"in justice and good morals, this tax must be borne by you." [Applause.]

Are we Democrats to be stampeded into running amuck and committing political suicide by an avalanche of wild gestures and screaming hysterical speeches? I would admonish those who make them to calm themselves, wipe the froth from their lips, and let reason get back on its throne. We are advised that this consumers' tax would produce \$1,190,000,000 by 1934 and balance the Budget. Well, in three or four years we will receive that and more from our foreign debtors. They have never yet defaulted and, I dare say, will not do so. Then why this pressure to enact a sales tax? Can it be possible that it is the same financial oligarchy that has been propagandizing for the cancellation of our European debts to serve selfish motives? And once this sales tax becomes a law, would they not immediately begin to press this Congress or the next for such cancellation and cite this sales tax as the means by which we can keep our Budget balanced without the necessity of collecting those debts?

Gentlemen, the great mass of the population of this Nation in their distress and poverty have about reached the breaking point. The desire to accumulate property and better his condition has been responsible for every mental and physical effort that has changed man from a naked savage with a mentality scarcely above that of the wild beast that dwelt in the same forest with him to what he is to-day. Destroy that opportunity and you start him back to his primitive condition in that ancient forest; and when he breaks camp to start on that return, chaos will reign. It might be well for the 8 per cent to look out of their palatial windows and take warning. When Rome fell, civilization staggered into darkness. God grant that America may stand and civilization survive. But should you lay this additional burden upon our already hard-pressed, discontented millions, it will stagger them in the direction of that frightful abyss at the bottom of which lies anarchy.

But it seems those of us who do not vote for this consumers' tax are to be branded demagogues. Demagogue! What a word with which to intimidate, and how adroitly, though vainly, have we heard it thundered here. You can not intimidate a statesman by insinuating on this floor that to vote for this or that would make him a demagogue. The demagogue is he who at home speaks with "that glib and oily art and purposes not" for the sake of votes, but who here becomes a fawning sycophant and by his vote stultifies himself for a little brief adulation.

Yes; enact this consumers' tax section into law and you will increase bitterness and hate and troubled discontent. Enact it into law and still further trample upon the rights of the States. Yes; enact it into law and further reduce your State to the status of a Province. Vote for it and for the short time you have to remain here bask in the smiles and rejoice in the approbation of its beneficiaries and then return home to your people to become a private citizen and repent of your folly. [Applause.]

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield such time as he may care to use to the gentleman from Missouri [Mr. JOHNSON].

Mr. JOHNSON of Missouri. Mr. Chairman, there has been no question presented to this Congress which more vitally affects the present and future welfare of the American people than the tax measure now under consideration, for it not only imposes an immediate and heavy additional burden upon the masses of our citizens, but it proposes a radical and revolutionary reversal of our national policy in the method of raising the revenue to pay the expenses of the Government. It abandons the Jeffersonian theory that the tax burdens should be the heaviest upon those most able, and the lightest upon those least able to bear such burdens. By an obnoxious, outrageous, and iniquitous nuisance and sales tax, this bill places the tax burden upon the poor man and the consuming public.

The Hoover-Mellon-Mills administration by its mad orgy of the spending of the people's money has caused an enormous governmental deficit. It recommends that the money necessary to continue this extravagant administration of the Government be raised by a sales tax upon the masses of the consuming public, and I deeply regret that some of the leaders on my side of the aisle endorse this monstrous proposal. It would have been a blessing to the American people if Mellon had left for England the day he received his appointment to the Court of St. James, but I am persuaded he agreed to remain here until this oppressive tax law was passed by Congress. Mr. Mills says this law must pass. I ask by what authority does he address this legislative body in such imperative language? I say the people alone have the right to command Congress.

While I believe in leadership, yet I say as long as I am a Member of this body I intend to represent the people who commissioned me, regardless of leadership here. When that leadership is steering a course that I believe is inimical to the great masses of the American people, I shall refuse to follow under the whip of the President and his Mellon-Mills Treasury. Congress voted a moratorium on foreign debts in the sum of one-fourth billion of dollars and created a \$2,000,000,000 corporation to aid the big financial interests. I voted against both these measures because I knew they would impose an unbearable burden upon the people. We are now asked to vote for a measure which will compel the American consumers, by a sales tax, to pay \$600,000,000 additional annually for the necessities consumed.

I say to you, ladies and gentlemen of the Congress, personally I shall not vote for this nefarious sales and nuisance tax, which will place this terrible burden upon the already oppressed American people. Such a law will stifle and retard the return of prosperity and greatly increase the prevailing distress and discontent of the people.

The welfare of the Nation should always be placed above party welfare, yet when I am asked to abandon a policy which the Democratic Party ever has proclaimed necessary for the protection of the people, I look to see whether or not, back of such proposal, stand the high priests of privilege who expect to profit by the abandonment of such Democratic policy.

I believe in the principles of the Democratic Party, as the security of the rights of the masses, from the time of its first great exponent, Thomas Jefferson, down to and including the epochal and remedial administration of our last great President, that man who gave his life on the altar of his Nation, that man whom humanity reveres to-day, that matchless statesman and Democrat, Woodrow Wilson. [Applause.]

The Democratic Party has consistently opposed the imposition of obnoxious sales and nuisance taxes upon the people because they place an unjust burden upon the masses.

In 1924 the Democratic Party, in its platform, made the following declaration:

We oppose the so-called nuisance taxes, sales taxes, and other forms of taxation that unfairly shift to the consumers the burdens of taxation.

To my colleagues on this side of the aisle, may I say, we are now asked to desert the principles and traditions of our party. I care not what course others may pursue, but

for my part, I shall remain steadfast and true to the faith. [Applause.]

It is the seductive and siren voice of the ultrarich and of the great monopolies which is clamoring for the sales tax. They want to see the entire burden of taxation placed upon the poor people so that they may escape such burden. They now have the hopes that if a general sales tax is enacted into law it will become a permanent method of raising the revenue and that eventually the income tax law will be repealed.

William R. Hearst, owner of a large group of metropolitan papers which are strongly advocating this sales tax, in the issue of March 13, published an appeal to the editors which contained, among others, the following instructions:

Please carry on sustained crusade, morning, evening, and Sunday, against the present bolshevist system of income taxation. The system is in itself unjust, inequitable, and un-American.

I say to you, Members of Congress, if you hearken to the voice of the great monopolies and approve this sales tax, although you think you are admitting only the camel's nose, his whole ungainly form will enter, take possession, and destroy those safeguards of the people which years of experience have proved wholesome.

Are you going to be lashed into obedience by the whip of the Mellon-Mills treasury? The Treasury experts can not definitely state the amount of the burden this bill will place upon the people. They only guess. In December they estimated the amount of the deficit and in February admitted they had made a mistake of \$321,000,000 in their guess. Would it not be advisable to issue bonds for a part of the amount sought to be collected from the people under this bill until it could be determined how much additional revenue was necessary and until the people and business were able to pay an increased tax burden?

An economy committee appointed by the House is now laboring to greatly reduce the expense of the Government. When it has completed its work, it may be that the enormous amount sought to be raised by this tax bill will not be needed.

The Treasury had no difficulty in raising the one-half billion dollars for the Reconstruction Finance Corporation. Last week it offered Government obligations in the sum of \$900,000,000, and in two days it received subscriptions for nearly \$3,000,000,000.

Clearly the Budget should be balanced. This should be done by a decrease in the expense of the Government, an increase in the taxes on large incomes, the gift and estate tax, and by a bond issue for the balance until the people are out of the present depression.

Under the provisions of this bill the consumers will be compelled to pay an increased tax burden of approximately \$600,000,000, while the income tax is increased only \$112,000,000.

If this sales tax is enacted into law, it will levy a tax upon every laborer, every farmer, and every citizen in the Nation.

The laboring man who is now walking the streets looking for just enough work to keep the wolf from the door will be compelled to pay out of his meager means a tax every time he purchases a pair of cotton socks, a pair of shoes for his little ones, or any article necessary for their support. It is estimated that this bill will cost the laboring people \$150,000,000 annually.

The farmer, who has seen his home sold under the auctioneer's hammer, will pay a tribute when he purchases a hoe, other farm implements, and all of the necessities for himself and family. It is estimated that this bill will compel the farmers annually to pay \$150,000,000 additional for the articles purchased by them.

The measure, with the exception of a few articles of food, is all inclusive, for it provides for a tax upon "every article" purchased, from the swaddling clothes of the babe to the shroud which incloses the lifeless remains of the man.

It is claimed that certain articles of food are exempted from the tax, but an examination shows that only a small proportion of such articles are exempted.

All meats in air-tight containers, all canned meats, tomatoes, and other canned vegetables, ice cream, lard, and all cooked meats and prepared foods are taxed. This will not

only mean that the consumers will be compelled to pay more for these necessities but that the price received by the farmer for his products will be reduced. It has been estimated that this law will reduce the amount annually received by the farmers for hogs alone \$10,000,000.

The law, section 602, exempts water from the tax. I am at least grateful that we shall not be compelled to pay a tax on water and air. I suppose the sponsors of this bill exempted water and air for fear that if they did not they might incur divine displeasure; but remembering Him who said, "Even as ye have done it unto one of the least of these, my brethren, ye have done it unto Me," I say that if this bill becomes a law the Nation will merit divine condemnation for oppressing the people.

In lieu of compelling the people in their present distress to pay a sales tax upon everything purchased, I say we should further increase the income tax, beginning with our incomes as Congressmen. I would rather have my income tax doubled over what this bill provides than to vote a sales tax which would make every poor man, who can now hardly pay his bills, pay a tax on everything he purchases. [Applause.]

The bill levies no greater rate of tax against a person who receives an income of a million dollars than one who receives an income of \$101,000. That is not just. I think a tax rate of 65 per cent should be levied upon an income of \$1,000,000 or more.

The law grants an exemption for certain income received from foreign investments. This is not fair to the American citizens. A tax of 75 per cent should be levied upon incomes received from sources or investments outside the United States.

This is the most unjust, unfair, burdensome, and un-American law that was ever attempted to be fastened upon the American people. It will sap the very lifeblood from our people at a time when they are already bled white.

I say to you, ladies and gentlemen of the Congress, although I should like to vote for the increase of the tax on large incomes, gifts, and estates, yet unless the obnoxious sales and nuisance tax provisions are stricken out I shall vote against the entire bill. I will not betray the trust reposed in me as a Representative by voting for this oppression of the people. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield five minutes to the gentleman from Missouri [Mr. BARTON].

Mr. BARTON. Mr. Chairman, the district I have the honor to represent is peculiarly an agricultural one, and I hope I may be excused if I speak from a farmer standpoint.

The bill now before us is designed to balance the Budget. "Tis a consummation devoutly to be wished." In fact, sooner or later this must be done, or the American dollar will go the way of the German mark and the world be thrown into chaos.

Seeing the absolute necessity of balancing the Budget, we turn to a consideration of ways and means. First thought is to raise taxes, and sales tax among them. On deliberate study we find that that is a shortsighted method. It increases the depression in which we are now struggling and brings a long line of objectionable features. The present law was more than sufficient in the subnormal times from 1921 to 1930 and, supplemented with other features of this law and some sources which may be brought in by amendment, ought to be ample to balance the Budget within a reasonable time. Remove the depression and our task is done.

A general survey shows one-fourth of our people are working on farms at 51 per cent of their pre-war income; 8,000,000 unemployed, earning nothing; another 8,000,000 working part time, and the remaining industrial workers working for wages 21 per cent below what they received two years ago. The greatest unemployment of all is capital, and so timid that it will not venture into any new enterprise. Restore these to normal conditions and the Budget will balance.

The country is financially sick and we are the attending physicians. Doctors tell us that the best remedy for any disease is to remove the cause and that no disease can be

permanently cured so long as its cause remains. To balance the Budget by new taxes is but treating the symptom, not the disease. We must reach the root of the ailment, must remove the cause. Then we may expect a permanent cure, and not till then.

Our present difficulty is underconsumption. This is not because the needs and desires of our people are low but because their purchasing power is exhausted. Bins and barns are bursting and warehouses and stores are filled to overflowing, while people are in the bread line; some of them, too proud to ask charity, are in rags, undernourished and hungry.

Much of our present tax system is based on collections from the consumer. It, like the sales tax, is said to be easy of collection, a painless operation, because the real taxpayer is not aware of his contribution. This is true of the tariff, by which we contribute millions to the support of the Government and billions to the coffers of the ultrarich who finance protected enterprises. The effect of the whole system is to widen the gap between the price paid for production and the price paid by the consumer, and by this means reduce both consumption and production.

I have been told of a system of medicine which teaches treatment of disease by giving the patient more of what he already has—if poisoned, give him more poison. I do not know whether they have ever advocated setting a dog after a man as a remedy for a dog bite, but if they did it would be on a par with this sales tax.

This leads us to investigate the origin, history, and progress of this depression, or panic, as you may call it. In my opinion it originated with agriculture, where it is still most acute, and there we should begin to rebuild. From the farm the depression spread to industry, and it is now eating at the vitals of our financial structure in metropolitan districts. To prove this statement I shall use as my principal authorities Dun's Review, known to all, and this pamphlet, *The Agricultural Situation*, a Government publication, issued by the Bureau of Economics in the Department of Agriculture.

On last Tuesday the gentleman from Mississippi [Mr. RANKIN] told you how within the decade from 1920 wealth was accumulated in the hands of a few, how men with an income of a million dollars a year increased in number from 21 to 525. To this I would add that there are now in this country some 29 or 30 people with incomes of ten millions or more. Now I am going to tell you whence much of that wealth was drawn. From a revenue standpoint the chief difficulty is that the supply is exhausted.

I take it that 1920 was not far from a normal year all over the country. In that year there were 8,881 commercial failures, about an average for the two preceding years. The bank failures were 109, somewhat larger than for the three prior years. The ratio of prices received to the prices paid by farmers based on the average prices of 1909 to 1914 (figured by our Government) was 99 per cent. In other words, if a farmer took to town a dollar's worth of produce as priced in 1909 to 1914 he could get 99 cents worth of supplies priced as of the same date.

Beginning with this normal year we proceed. In 1921 commercial failures more than doubled, reaching 19,652, the largest in the history of the country up to that time, excepting 1915. This number has been exceeded every year since then excepting 1923, when it was slightly lower. In 1931 this reached the alarming figure of 28,285. The failures for both January and February this year exceed those of last year, thus indicating that the "corner" is not yet in sight.

I do not have to draw much upon my imagination to hear some one say, "Well, it was worse in 1893." Nay; not so. Then there were only 15,242 failures, or 1.28 per cent of the firms in business, while last year 1.33 per cent of the firms in business failed. Both in numbers and percentage last year made the worst showing in a half century. So much for the Nation as a whole. Now let us localize the trouble, if we can.

The ratio of prices received and paid by the farmer based on the 1909 to 1914 basis has gone down from the 99 figure in 1920 to 51 cents in January of this year. Farm taxes

have gone up from 155 in 1920 to 266 in 1930. Farm mortgages have increased about two billions. Thus we find agriculture was the victim hardest hit.

Agriculture enters into the enterprise of every State, and so does industry. However, the northeast portion of our country is peculiarly industrial, while in the rest agriculture predominates. I have separated these regions for the purpose of comparison. I have considered as industrial the New England States, New York, Pennsylvania, and New Jersey, approximately one-fourth of our population. The reason banks fail is because those who patronize them fail. At this point I desire to insert a table compiled from Dun's Review showing bank failures in these industrial and agricultural regions separately, showing the complete breakdown of these financial institutions in the agricultural regions and how it is breaking across and eating at the vitals of the industrial districts.

Bank failures

| Year | Industrial—9 States | Agricultural—39 States | Total |
|-----------|---------------------|------------------------|-------|
| 1917..... | 3 | 39 | 42 |
| 1918..... | 0 | 20 | 20 |
| 1919..... | 4 | 46 | 50 |
| 1920..... | 10 | 109 | 119 |
| 1921..... | 8 | 396 | 404 |
| 1922..... | 7 | 270 | 277 |
| 1923..... | 12 | 566 | 578 |
| 1924..... | 7 | 605 | 613 |
| 1925..... | 8 | 456 | 464 |
| 1926..... | 6 | 602 | 608 |
| 1927..... | 2 | 392 | 394 |
| 1928..... | 6 | 368 | 372 |
| 1929..... | 7 | 428 | 435 |
| 1930..... | 30 | 904 | 934 |
| 1931..... | 176 | 1,264 | 1,440 |

In the industrial States from 1921 to 1929 there were only 63 bank failures, while in the 39 agricultural States there were 4,082.

The population drift is naturally from the less profitable and desirable to the more profitable and desirable occupations and locations. In 1920 our rural population constituted 48.6 per cent of the whole. In 1930 it had decreased to 43.8 per cent. A much worse showing would have been made were it not for the fact that the birth rate on the farm is much greater than the death rate. This alone, for the year 1929, accounts for 45,000 of our rural population, and in other years a similar number. (Yearbook, 1931, p. 41.)

For these reasons I conclude that there must be a leveling up or a leveling down. Agriculture must be brought up to industry or industry must be brought down to agriculture, or both must be brought to a happy meeting ground where they can enjoy equal opportunities. Paraphrasing one of President Lincoln's most famous expressions, I say, that no nation can long endure half prosperous and half depressed.

A leveling up as promised by our Republican friends in their last two or three national platforms, and wholly unaccomplished after 11 years in power, is far more desirable, especially to the farmer. This because he borrowed billions when a dollar could be obtained for a dollar's worth of produce at prewar prices. Now, he can get only 51 cents for it. He will, therefore, be compelled to pay his debts with dollars worth nearly twice as much as those he borrowed.

In this discussion frequent references have been made to the tariff. Protection is peculiarly a Republican doctrine. According to their philosophy raising the tariff seems to be a panacea for all ills, industrial and economic. They remind me of an old man in my country who owned a large tract of timberland. When he met adversity and became despondent he resorted to the simple expedient of raising the price of this land. Of course, he did not sell it, but it had the desired psychological effect, and he felt good over his new wealth.

So with our Republican friends. They simply raise the tariff, then wait for prosperity to return and listen for the people's praise. And, thanks to American enterprise and industry, not because of but in spite of the tariff, conditions have sometimes improved. This time a real situation con-

fronts them. They are in the position of Ben Franklin, who when he had dropped a coal of fire into another man's shoe tried to persuade him that pain is only imaginary and that it would not hurt if he did not think it did. Even Mrs. Gann has discovered that there is no depression.

I was much interested on last Tuesday in the speech made by the gentleman from Massachusetts [Mr. MARTIN] on the oil tariff. How accurately he stated the effect of a high protective tariff, and I wonder why he did not apply that logic to the Hawley-Smoot tariff bill when it was in Congress. It is the old story of whose ox is gored. Heretofore when a Democrat wanted protection for some enterprise in his district he was called a spotted protectionist. By the same token I suppose the gentleman from Massachusetts is a spotted free trader.

It will be remembered that when the Republican Party came into control in 1921 it passed in short order a popgun tariff bill known as the farmers' emergency tariff act, levying duties on wheat and some five or six other farm products. This was done because that party claimed this would raise and stabilize the prices of these products. It is interesting to note that next day, or within a few days at most, the price of wheat went down on the Chicago market, and according to the Agricultural Year Book wheat sold on the markets that year 50 cents lower than the year before when it was on the free list. Wheat growers may have been deceived by such a measure, but the gamblers in the pit were not fooled. A tariff on wheat or any other article of which we produce a surplus will not function unless there is a monopoly, gentleman's understanding, or tacit agreement to regulate production or price or both.

I refer to a speech made by the gentleman from Wisconsin [Mr. AMLIE] last January. (RECORD, p. 1712.) I would like to call him my friend, but I do not know him. I am proud to be a Member of this body with a man like that. A Republican though he is, and therefore generally wrong in politics, yet he has intelligence and industry to search out and find the truth and courage to tell it to the world.

Secretary Hyde, in a release, had indicated that wheat growers were benefited by the tariff from 23 to 31 cents a bushel amounting to a quarter of a billion dollars annually. Mr. AMLIE, after several weeks' study and checking, found that the only wheat affected by the tariff is about half of the crop of the hard spring wheat which is strong in protein and grown in the Dakotas, Minnesota, Montana, and Nebraska. And this instead of a quarter billion profits, only \$17,600,000. This, of course, is paid, with trimmings, by the bread eaters.

After a very careful analysis Mr. AMLIE observes:

The whole thing was designed and calculated to mislead and deceive, and this is precisely the effect it has had.

He further says:

I charge that the Secretary of Agriculture has shown himself to be without any sense of intellectual integrity, or, if the term is not copyrighted, guilty of "abysmal ignorance."

If Mr. AMLIE is not right in his conclusions, then the only reason I can see for the Secretary to make such a release is because he thought the bread eaters would not believe him and that the wheat growers would take the bait and vote his ticket.

There is the Grain Stabilization Corporation, with its \$50,000 a year chairman and other officers with comfortable salaries. I see by the papers they claim to have saved the farmers of this country \$55,000,000. The basis of this figure is that the price in this country for many years has been sufficiently lower than the world market to pay cost of exporting and selling. Last year it is claimed the American price was sufficiently above that base price to aggregate a profit of fifty-five millions. If they did save, it was not to the farmer because they did not begin operating until about November, after the bulk of the wheat had left the farm and they quit before the next crop matured.

Again, at present wheat prices, they have lost more than a hundred millions. In other words, they have saved about half what they have lost, a 50-50 proposition. But that is not all—they yet have a remnant of the two hundred and

odd million bushels of wheat—a white elephant—a bear on the market. I think by the time the transaction is closed instead of a 50-50 proposition it will be "ninety to nothing," with the Government on the side of nothing.

I note some days ago the gentleman from Wisconsin [Mr. SCHAFER] expressed satisfaction at having voted for the Hawley-Smoot tariff bill, and gave as his reason that the price of sugar had since gone down although this act raised the tariff on it. With childlike faith he seems to think that this proves beyond question that raising the tariff even on sugar does not raise the price. I suggest that he read the speech of last Tuesday made by the gentleman from Massachusetts [Mr. MARTIN]. He seems to forget a fundamental. He should understand that the world price fluctuates and recedes. If he will read the papers he will find sugar quoted in New York with tariff paid. He can buy it in that market with tariff paid or without tariff paid, the amount of the tariff being the difference between these two prices. Unless he believes that an American tariff will lower the world market he must know that raising the tariff on an article so largely imported as sugar will raise the price in this country to the amount of the tariff above the world market. Of course, if the world price goes down more than the tariff was raised, as in this instance, then the American price will be reduced.

Again illustrating where the tariff does not function. Lard has been mentioned in this discussion. Last year, according to this book, we exported and sold abroad in open competition with all the world 568,000,000 pounds of lard. This amount is so stupendous that the human mind can hardly comprehend it. I understand the world is about 25,000 miles around. By reducing this distance to feet and dividing we find that the lard we sold abroad last year would make a smear reaching round the world weighing more than 4 pounds to the foot. In 1929 we exported 829,000,000 pounds which would reach around the world weighing 7 pounds to the foot.

Again, meats have a protective tariff—yet we exported last year more than 177,000,000 pounds of meat products. I understand that the Atlantic Ocean is about 3,000 miles across. This would make a strip of meat reaching across the Atlantic weighing 1 pound to the inch.

Now, I ask, can anyone say that a tariff would affect the price of these articles where such immense quantities are shipped out and sold on the markets of the world? What has been said about wheat and meat and lard is true in a very large sense of all staple farm products. Therefore, it is but a slight benefit, if any, the farmer gets out of the tariff under any circumstance. Yet he pays for his supplies prices standardized, localized, and monopolized behind a tariff wall, and sells in the open markets of the world and at world prices. The candle burns at both ends.

Again, I repeat that no nation can long endure half prosperous and half depressed. There must be a leveling up or a leveling down, there must be equality of opportunity between agriculture and industry.

That this country is the best market in the world has been repeated so many times on the floor of this House that I think some believe it without exception. Best for whom—the buyer or the seller? The best for the one is the worst for the other. It is the best market in the world in which to buy meat and lard and other staple farm products, and the worst in which to sell them. It is the worst market in which to buy the highly protected articles and the best in which to sell them. Again, I say, whose ox is gored.

I do not want it understood that I am an enemy to the rich. To attain wealth by fair means is an honor. However, any system which causes the wealth of a country to be gathered into the hands of a few is not a good policy. A policy should foster and encourage an equitable and reasonable distribution of wealth by furnishing equal opportunities to all its people.

In this extremity our Secretary of Agriculture advises the farmers to cease producing for export. At the present time there are some three or four million people on the farms in this country working to produce for export. If we cease this production these will be thrown out of employment or into a

less remunerative employment. If so, where are they to find work, or does he advise them to join the teeming millions now walking the streets and highways hunting something to do.

During this discussion much has been said about who will pay this sales tax. It seems to be the general opinion that it will be passed on to the consumer, but I tell you these are not ordinary times. The common man is already spending his entire purchasing power, present and prospective, in an effort to keep soul and body together. You may give him less for his earnings, but you can not extract money from his empty pockets. This tax would bring a long line of disasters. It would curtail consumption and with it reduce production, more laborers unemployed, more families in distress, and more children crying for food.

Then can the producers and the distributors absorb this tax? With commercial failures at the highest point in half a century, that is certainly not a promising field in which to raise \$600,000,000. Caution admonishes us to tread lightly lest general financial disaster and bankruptcy follow.

There is the little theater with a 25 to 50 cent admission. It would be taxed to death by this bill. It would not produce revenue from this source and would deny the picture show to nearly all who live in rural communities where entertainments are so few.

We are now engaged in the export business. Our people in war time redeemed their obligations abroad. In the last decade they have purchased foreign securities until this House, by solemn enactment, has stamped its disfavor upon further extensions of foreign credit. Many of our industries are now establishing branch plants in foreign countries, which is pro tanto exporting the industry. Reducing farm production and abandoning farms in this country stimulates opening new farms in other parts of the world. Economically this is exporting farms. Last but not least, according to the Bureau of Immigration, many thousands of our people every year move permanently abroad, far in excess of those coming to this country. This is exporting our people. The reason is apparent. Capital can be more profitably and securely invested abroad; else why does it go? And people can obtain more satisfactory employment and living conditions. If not, why do they move? The tide of migration has reversed the traditions of a century and turned away from our shores.

I believe that this sales tax will reduce consumption, retard production, delay balancing the Budget, and be disastrous to our country in general. I am therefore against the sales tax. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield to the Delegate from the Philippines [Mr. OSIAS] such time as he may wish to use.

Mr. OSIAS. Mr. Chairman, in the short time at my disposal I shall not attempt to make a speech but merely to make a few factual statements.

In the course of the long debate on this exceedingly important revenue measure, H. R. 10236, we have had dinned into our ears the existence of an unprecedented deficit and the necessity of balancing the Budget. To people living beyond the confines of the United States it is well-nigh incomprehensible that the people and government of a country which they have come to look upon as the richest and most stable should be confronted with the grave problem of having to exhaust ways and means of raising revenue in the present emergency to meet the deficit of over \$2,000,000,000 and effect a balance in the national budget.

I thought it would be of interest to the Members of this body if I at this time brought to their attention the intelligence that a country far removed from the scene of our legislative labors, relatively poor, and which, according to the papers of last night, a certain executive official is depicting as unfit for economic reasons to be free and independent, is not afflicted even in the midst of these days of world stress and distress with a deficit. The government of the Philippine Islands has been self-supporting from the establishment of our present civil government in 1901. From the taxes locally levied we have maintained our municipal

and provincial governments. From our revenue system the central government has been quite able to meet the expenses of administration of the varied activities necessary to an even and orderly progress in our domestic life. To-day it is with justifiable pride that I am able to state that our government has a balanced budget.

The authorized spokesmen of the Filipino people have appeared before the congressional committees charged with the duty of studying legislation on Philippine affairs and making recommendations to the Congress. The Committee on Insular Affairs, under the able chairmanship of the gentleman from South Carolina [Mr. HARE], has held extended and exhaustive hearings, giving opportunity to all persons and organizations interested to testify. By a practically unanimous vote on the part of the members an independence bill was favorably reported out, and on March 15 the chairman submitted a comprehensive report of the committee findings, recommending that the bill H. R. 7233, as amended, should pass.

Before the Committee on Insular Affairs we presented a record of Philippine progress and of our people's preparedness. We discussed the social, political, and economic phases of the problem. We adduced evidence to prove the soundness of the Philippine currency and facts showing the condition of our government budget. It is satisfying to me as a representative of our people to read from the report of the committee the following conclusion regarding our insular budget:

At a time of universal depression, when most nations, large and small, are beset with fiscal difficulties, the government of the Philippines is in a sound financial condition. This statement is corroborated by the report of the insular auditor. From the exhibits left with the committee it appears that the Philippines not only have succeeded in balancing their budget, but have in fact accumulated a surplus. Even in 1932, and in the face of curtailment of revenues, the Philippine budget will be balanced without increased taxation or abandonment of essential government services. The budgetary system was adopted in the Philippine Islands before it became operative here.

It was urged by the proponents of independence in the presentation of their views to the committee that this wise stewardship of the insular revenues evidences the ability of the Filipinos to manage one of the most difficult departments of government in one of the worst financial dislocations of recent years. (Rept. No. 806, pp. 8-9.)

We have in the islands, by the way, a sales tax of 1½ per cent and it is one of the largest sources of revenue for the insular government.

Mr. Chairman, if sound currency, adequate revenue system, and a balanced budget are among the elements that serve as a barometer of a people's ability to be self-governing and free, then it must be admitted that the Filipinos are fit and ready and that the Senate and House committees are right in recommending favorable action on legislation to remove the present uncertainty in American-Philippine relations and to grant independence to the Philippine Islands. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield five minutes to the gentleman from Indiana [Mr. CROWE].

Mr. CROWE. Mr. Chairman, ladies and gentlemen of the committee, I have the greatest respect for the members of the Ways and Means Committee. I am sorry to differ with them. However, I have my own convictions. I desire to voice my opposition to certain parts of the proposed tax bill which is designed to balance the Budget.

I particularly oppose the sales tax, which is called the manufacturers' excise tax, at 2¼ per cent, which is expected to raise \$595,000,000. That \$595,000,000, I will show, will practically come from and be imposed upon groups of people who are already overburdened with taxes. At least, the major parts of it from these groups against that to be paid by the groups out of profits to be raised through income tax only \$112,000,000 will be collected. The \$595,000,000 will come in large parts from farmers, workingmen, small business men, and professional men, who in the main to-day are in the worst distressed condition they have been in for many years. The \$112,000,000 mentioned will be derived from a part of the profits of those whose fortunes will not be touched by this tax. I think that it is important to balance

the Budget; I believe that it should be balanced, if we can without further destroying and crippling business and without driving additional people into bankruptcy. However, I think that it is a great mistake to attempt to make the people believe that the United States Government will impair its credit if it does not balance the Budget this year.

At the close of the World War the Nation was in debt \$27,000,000,000. To-day this country is in debt seventeen and one-half billion dollars. According to the latest and best figures which I can obtain, the Nation's wealth is estimated at \$320,000,000,000; accordingly our indebtedness is slightly over 5 per cent of our Nation's wealth.

This talk of impairing our credit with the countries of Europe and South America does not ring true to form to me. Those countries are in debt to this Government twelve and one-half billion dollars, which, if collected, as it should be, would leave but a difference of \$5,000,000,000 between what the United States owes and what it has due it from the other nations. France, England, and Italy will not cancel Germany's debt; why should we cancel the debts of France, England, and Italy?

We do not want to get in the condition that England is in; but when Members of this House talk of the credit of this country becoming impaired when its indebtedness is approximately 5 per cent of the Nation's wealth, I refer them to England, whose estimated wealth is \$122,000,000,000 and their indebtedness thirty-two to thirty-five billion dollars, or 25 to 30 per cent of their wealth. To be sure, we do not want to get in any such condition; but I do not like to hear, and I think that it is absurd to put before this House and to put before the Nation, statements which would cause the people of this country to lose faith in the stability of our Government if we do not balance our Budget in 1933.

From the White House and from spokesmen of our Government we have at numerous times heard the statement that this is a calamity equal to that of war, and it is a calamity of the first magnitude. Governments are not known to balance their budgets in times of war. I am not saying this because I do not want to see the Budget balanced, but to disapprove the mistaken idea that the credit of our Government would be impaired if we do not balance our Budget in 1933. We have already paid \$3,000,000,000 ahead of our schedule.

It has been reported that 8 per cent of the people own 90 per cent of the wealth of the country. This \$595,000,000 tax would cause 92 per cent of the people that own only 10 per cent of the wealth to pay approximately 92 per cent of this tax. The 8 per cent of the people that own 90 per cent of the wealth would pay approximately 8 per cent of the tax. Does that seem fair and just?

I am opposed to this tax; in fact, I am opposed to any tax which will add any additional burden to our already over-taxed people. It is not fair, it is not humanitarian, and not as Lincoln said, "Government of the people, by the people, and for the people." I am a believer of the founder of Democracy, Thomas Jefferson. I prefer to follow his doctrine. I stand on the fundamental principles of the Democratic Party in this. I refer to the platform of the party in 1924. It says in part, "We oppose the so-called nuisance tax, sales taxes, and all other forms of taxation that unfairly shifts to the consumer the burdens of taxation." But even though I oppose this manufacturers' tax and even though I say and believe that the credit of the Government would not be impaired in the event we do not balance the Budget in 1933, I am firmly of the belief that the Budget can and should be balanced, with part of the profits the larger groups of the country are continuing to make, and not from those who are already in dire distress. I am not opposed to capital when properly regulated; but in times of panic such as we are undergoing to-day, we can not afford to destroy the people of small means. This tax must be collected from those who have the ability to pay.

HOW TO BALANCE THE BUDGET WITHOUT THE SALES TAX

There are several methods of doing this. In the first place, according to the CONGRESSIONAL RECORD of December 16, 1930, a statement based on figures of the Treasury De-

partment shows that during the years from 1922 to 1930, inclusive, cash refunds, credits, and abatements in connection with income, excess-profits, and inheritance taxes amounted to \$3,394,508,218. This vast sum of money was handed back to the taxpayers by the Government after every reasonable reduction and abatement had already been made. It is probable much of this should have been retained by the Government.

On December 7, 1931, according to a stock letter of the National Grange under date of March 15, 1932, the Hon. Andrew W. Mellon, then Secretary of the Treasury, said that there were unpaid taxes amounting to almost a billion dollars. This billion dollars, mind you, is the amount due the Government according to the income-tax returns filed, and by those filing their returns after they had deducted everything they could find to deduct. It is the amount they showed that they owed the Government by their own tax returns. Had this amount been collected as they collect from you and me, and as it seems to almost everyone that it should be collected, it would cover a large part of the deficit.

Through these vast sums, by a tightening of the collection machinery of our Government, several hundred million dollars could no doubt be collected. What farmer has been allowed to withhold the paying of his taxes? What working-man or storekeeper is given such latitude? Where can you find anyone of modest means and incomes but who has to pay taxes when due or be fined and then pay.

A second plan to avoid a sales tax I recommend is as follows:

| | |
|--|---------------|
| Adopt the excess-profits tax as in operation in 1921; it is estimated that it would raise in 1933..... | \$168,000,000 |
| Increase corporation tax to 15 per cent, which would raise an additional tax in 1933..... | 42,000,000 |
| Increasing the income tax to a maximum of 50 per cent instead of 40 per cent raises an additional.... | 56,000,000 |
| (This being below the war-time rates.) | |
| Estate and gift taxes advanced to the war-time rate will give an increase of..... | 35,000,000 |
| A tax of one-half of 1 per cent on the total volume of sales in dollars of the New York Stock Exchange and the New York Curb Exchange and other exchanges of the United States estimated at..... | 300,000,000 |
| Total | 601,000,000 |

Some time ago Mr. Hearst, of newspaper fame, wired me, along with other Congressmen, offering me a trip into Canada, with all expenses paid, to study the Canadian sales tax. For obvious reasons I did not go. One reason for not going was that I was and am opposed to a sales tax.

I am convinced that once a sales tax is saddled onto the people it will never be removed. It will also be the death of the income tax law, which is a fair law. The income tax places the burden where there are profits and where they are able to pay. A sales tax makes the burden heavier for those least able to pay. I have never been in doubt on this. I gave it careful study months ago, and when Mr. Hearst wired me the invitation to join the party I promptly refused, because I was opposed to such legislation.

It is argued by some that a sales tax is painless—that you pay it and do not notice it. In that connection I refer you to the gentleman from Michigan [Mr. KETCHAM], who stated:

In the internal-revenue tax for the present year, Indiana pays \$21,431,225. If that system of taxation were entirely wiped out and we substituted this new sales-tax policy under which we are starting to operate if this title is retained in the bill—I would like to have every Indiana man hear these figures—instead of \$21,431,225, the State of Indiana would pay \$86,022,000, which would multiply her tax burden more than fourfold. I think, friends, you want to be looking at this pretty carefully before you launch upon a policy of this kind, because, after all, you have a responsibility not only to your country, but you have a responsibility to the folks who sent you here.

This burden to be added to those already breaking under the load of taxation now imposed.

During the last 10 to 12 years the greatest fortunes have been amassed that have ever been known in this country. In the same time more farmers have gone broke than has ever been experienced, more merchants have gone into bankruptcy, more banks have closed their doors, and more losses

have been incurred to depositors than ever was known before in the same length of time.

There are more people unemployed in this country than has ever been known before, more hunger, distress, and ultimate disease.

During this same period the excess-profits tax was removed. The corporation tax rates were reduced, and at every turn the load was taken off the rich and they amassed tremendous fortunes.

Compare the picture of these big industrialists with the farmer, the laborer, the small merchant—how different the scene. I oppose the sales tax; it is unjust, unfair, and will be harmful to our people and an injury to our country.

This bill is not fair to the great masses, who, while being unorganized, are hopeful that their duly elected Representatives in Congress will deal with them in a fair and honorable manner. And be it remembered that nothing is settled until it is settled right, and there will be a day of accountability to the people.

I oppose a tax on amusements—on admissions of 50 cents and under. This is the amusement of the common people and the poor. I oppose the tax for that reason, and for the further reason that the picture theaters in the small towns are, like all other small-town businesses, barely able to exist, and any additional tax would close the ones that are yet open. [Applause.]

Mr. CRISP. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to.

Accordingly the committee rose; and the Speaker having resumed the chair, Mr. DICKSTEIN, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee, having had under consideration the bill H. R. 10236, the revenue bill, had come to no resolution thereon.

SPEAKER PRO TEMPORE

The SPEAKER. The Chair appoints the gentleman from Louisiana [Mr. SANDLIN] to act as Speaker of the House at the evening session.

NUMBER AND COST OF SALARIES IN THE LEGISLATIVE BRANCH

Mr. RAINEY. Mr. Speaker, under permission heretofore obtained by me, I printed in the CONGRESSIONAL RECORD of February 8, 1932, a statement prepared for me by the Bureau of Efficiency as to the number and the salaries of Government employees. That statement did not include the number and amount of salaries of employees of the legislative branch of the Government. On the 8th day of February I stated that later I would print in the RECORD the same information with reference to the number and cost of salaries of employees in the legislative branch of the Government.

At my request, Hon. William Tyler Page, formerly Clerk of the House of Representatives and now in the employ of the House, has prepared for me that statement, and I now ask unanimous consent to print also that statement in the CONGRESSIONAL RECORD.

The SPEAKER. Is there objection?

There was no objection.

Mr. RAINEY. Mr. Speaker, under the leave to extend my remarks in the RECORD, I include the following:

Number and cost of salaries of employees of the legislative branch of the Government

[U. S. Senate, House of Representatives, Architect of the Capitol, Library of Congress, U. S. Botanic Garden, and the Government Printing Office. Compiled in March, 1932]

| Annual salary, but less than— | Number | | Salary cost | |
|------------------------------------|-----------------|------------------|----------------|-----------------|
| | Number in group | Cumulative total | Cost for group | Cumulative cost |
| Total..... | 9,049 | 9,049 | \$23,087,764 | \$23,087,764 |
| \$1,000 and under..... | 293 | 293 | 174,524 | 174,524 |
| \$1,000 and less than \$1,100..... | 65 | 358 | 69,900 | 244,424 |
| \$1,100 and less than \$1,200..... | 35 | 393 | 39,900 | 284,324 |
| \$1,200 and less than \$1,300..... | 374 | 767 | 461,144 | 745,468 |
| \$1,300 and less than \$1,400..... | 153 | 920 | 206,400 | 951,868 |
| \$1,400 and less than \$1,500..... | 196 | 1,116 | 282,240 | 1,234,108 |
| \$1,500 and less than \$1,600..... | 230 | 1,346 | 343,956 | 1,578,064 |

Number and cost of salaries of employees of the legislative branch of the Government—Continued

| Annual salary, but less than— | Number | | Salary cost | |
|--------------------------------------|-----------------|------------------|----------------|-----------------|
| | Number in group | Cumulative total | Cost for group | Cumulative cost |
| \$1,600 and less than \$1,700..... | 260 | 1,606 | \$393,360 | \$1,971,424 |
| \$1,700 and less than \$1,800..... | 151 | 1,757 | 262,740 | 2,234,164 |
| \$1,800 and less than \$1,900..... | 287 | 2,044 | 523,320 | 2,757,484 |
| \$1,900 and less than \$2,000..... | 69 | 2,113 | 134,460 | 2,891,944 |
| \$2,000 and less than \$2,100..... | 99 | 2,212 | 200,520 | 3,092,464 |
| \$2,100 and less than \$2,200..... | 4,442 | 6,654 | 9,363,828 | 12,456,292 |
| \$2,200 and less than \$2,300..... | 141 | 6,795 | 334,630 | 12,790,922 |
| \$2,300 and less than \$2,400..... | 47 | 6,842 | 105,940 | 12,896,862 |
| \$2,400 and less than \$2,500..... | 121 | 6,963 | 291,000 | 13,187,862 |
| \$2,500 and less than \$2,600..... | 917 | 7,880 | 2,294,500 | 15,482,362 |
| \$2,600 and less than \$2,700..... | 55 | 7,935 | 143,160 | 15,625,522 |
| \$2,700 and less than \$2,800..... | 43 | 7,978 | 62,687 | 15,688,209 |
| \$2,800 and less than \$2,900..... | 49 | 8,027 | 119,455 | 15,807,664 |
| \$2,900 and less than \$3,000..... | 12 | 8,039 | 34,800 | 15,842,464 |
| \$3,000 and less than \$3,100..... | 34 | 8,073 | 109,120 | 15,951,584 |
| \$3,100 and less than \$3,200..... | 29 | 8,102 | 91,140 | 16,042,724 |
| \$3,200 and less than \$3,300..... | 70 | 8,172 | 224,100 | 16,266,824 |
| \$3,300 and less than \$3,400..... | 35 | 8,207 | 115,680 | 16,382,504 |
| \$3,400 and less than \$3,500..... | 23 | 8,230 | 78,280 | 16,460,784 |
| \$3,500 and less than \$3,600..... | 13 | 8,243 | 45,660 | 16,506,444 |
| \$3,600 and less than \$3,700..... | 46 | 8,289 | 165,720 | 16,672,164 |
| \$3,700 and less than \$3,800..... | 5 | 8,294 | 18,580 | 16,690,744 |
| \$3,800 and less than \$3,900..... | 15 | 8,309 | 57,040 | 16,747,784 |
| \$3,900 and less than \$4,000..... | 104 | 8,413 | 405,900 | 17,153,684 |
| \$4,000 and less than \$4,100..... | 2 | 8,415 | 8,000 | 17,161,684 |
| \$4,200 and less than \$4,400..... | 10 | 8,425 | 42,240 | 17,203,924 |
| \$4,400 and less than \$4,600..... | 7 | 8,432 | 31,000 | 17,234,924 |
| \$4,600 and less than \$4,800..... | 11 | 8,443 | 50,720 | 17,285,644 |
| \$4,800 and less than \$5,000..... | 7 | 8,450 | 33,720 | 17,319,364 |
| \$5,000 and less than \$5,200..... | 16 | 8,466 | 80,100 | 17,399,464 |
| \$5,200 and less than \$5,400..... | 3 | 8,469 | 15,600 | 17,415,064 |
| \$5,400 and less than \$5,600..... | 6 | 8,475 | 32,500 | 17,447,564 |
| \$5,600 and less than \$5,800..... | 3 | 8,478 | 16,800 | 17,464,364 |
| \$5,800 and less than \$6,000..... | 8 | 8,486 | 48,000 | 17,512,364 |
| \$6,000 and less than \$7,000..... | 1 | 8,487 | 6,500 | 17,518,864 |
| \$7,000 and less than \$7,500..... | 5 | 8,492 | 35,000 | 17,553,864 |
| \$7,500 and less than \$8,000..... | 9 | 8,501 | 67,500 | 17,621,364 |
| \$8,000 and less than \$8,500..... | 7 | 8,508 | 56,400 | 17,677,764 |
| \$8,500 and less than \$9,000..... | 1 | 8,509 | 9,000 | 17,686,764 |
| \$9,000 and less than \$10,000..... | 538 | 9,047 | 5,380,000 | 23,066,764 |
| \$10,000 and less than \$11,000..... | 2 | 9,049 | 30,000 | 23,096,764 |
| \$15,000 and up..... | | | | |

JOSEPH C. GRISSOM

Mr. ALLGOOD. Mr. Speaker, I ask unanimous consent to file a supplementary report on the bill (H. R. 1668) to carry out the findings of the Court of Claims in the case of Joseph C. Grissom.

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

There was no objection.

EXTENSION OF REMARKS

Mr. BLANTON. Mr. Speaker, I ask unanimous consent to place in the RECORD figures now being compiled that will show the amount of revenue that would be secured by a 1 per cent tax on sales on stock exchanges and a 5 per cent tax on short selling.

Mr. TREADWAY. Mr. Speaker, reserving the right to object, may I ask by whom the figures are compiled?

Mr. BLANTON. They will be produced by the Internal Revenue Bureau in the Treasury Department.

Mr. TREADWAY. They are official figures?

Mr. BLANTON. They will be official figures. They are now being prepared.

Mr. TREADWAY. They are being prepared by the Treasury at the gentleman's request?

Mr. BLANTON. They are being prepared at the request of a Senator who has been collaborating with me on this subject.

Mr. TREADWAY. May I ask how extensive the publication of the figures will be?

Mr. BLANTON. I presume it will probably cover less than half a page. There will be an attempt made in the House to substitute such a tax on the sales on all stock exchanges in the United States in the place of the sales tax now carried in the bill. Thus the gamblers on Wall Street would bear the burden that the sales tax proposes to place upon the shoulders of the poor people of the Nation.

If in the House we should fail to pass this amendment, I am assured by a distinguished Senator that such a change will be made in the Senate.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

RECESS

Mr. CRISP. Mr. Speaker, I move that the House do now stand in recess until 8 o'clock p. m.

The motion was agreed to; accordingly (at 6 o'clock and 2 minutes p. m.) the House stood in recess until 8 o'clock p. m.

EVENING SESSION

The recess having expired, at 8 o'clock p. m., the House was called to order by Mr. SANDLIN, Speaker pro tempore.

PROPOSED REPEAL OR MODIFICATION OF THE EIGHTEENTH AMENDMENT

Mr. THATCHER. Mr. Speaker, I ask unanimous consent to extend my remarks in the Record, and include therein a copy of the Beck-Linthicum resolution and certain constitutional provisions.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

Mr. THATCHER. Mr. Speaker, touching the gravely difficult and highly controversial prohibition question, these suggestions are made.

PROCEDURE FOR AMENDING THE CONSTITUTION

The methods provided for amending the Constitution are to be found in Article V thereof.

ARTICLE V

The Congress, whenever two-thirds of both Houses shall deem it necessary, shall propose amendments to this Constitution, or, on the application of the legislatures of two-thirds of the several States, shall call a convention for proposing amendments, which, in either case, shall be valid to all intents and purposes, as part of this Constitution, when ratified by the legislatures of three-fourths of the several States, or by conventions in three-fourths thereof, as the one or the other mode of ratification may be proposed by the Congress: *Provided*, That no amendment which may be made prior to the year 1808 shall in any manner affect the first and fourth clauses in the ninth section of the first article; and that no State, without its consent, shall be deprived of its equal suffrage in the Senate.

Thus the methods for amendment are two, as follows: (a) Through the proposal, by the Congress, upon its own initiative, by two-thirds vote, to be ratified by the legislatures of, or conventions in, three-fourths of the several States; and (b) through the proposal by a convention, called by Congress to propose amendments, upon the application of the legislatures of two-thirds of the several States, such proposal to be ratified as in (a) required by the legislatures of, or by conventions in, three-fourths of the several States.

In the adoption of the various amendments to the Constitution only the first method has been invoked; the second method has never been called into play.

The repeal or modification of any amendment should not be lightly undertaken. The adoption of an amendment has been made through an elaborate process, and under important and deliberate sanctions. Jointly, the Congress and the States, by more than majority action, have brought about such adoption, and the repeal of a constitutional amendment is in an entirely different category from that of the repeal of a statute. A constitutional amendment, like the original Constitution itself, is intended to be permanent, rather than experimental or transitory. Hence, the repeal, modification, or amendment of any constitutional amendment, or of any other constitutional provision should be approached with the utmost care and consideration. Before the same is finally attempted there should be very strong evidence that the proposal will be ratified by three-fourths of the States. Otherwise the country may be constantly plunged into controversy over futile proposals to amend the Constitution.

There is, of course, a very large body of our citizens who are insistent in their representations and demands for the repeal or modification of the eighteenth amendment. On the other hand, a very large body of our citizens, with equal

insistence, oppose any such repeal or modification, as well as the submission of any proposal for repeal or modification.

Of course, in any country of free institutions, the people have the undoubted and inherent right, through constitutional processes, to repeal, amend, or modify any law of the land, organic or statutory; and any citizen is within his rights when he urges, in such manner, the repeal, amendment, or modification of any law, organic or statutory.

The Constitution and the amendments thereto were adopted or ratified by the action of three-fourths or more of the several States. Thus far all of the amendments to the Constitution have been ratified under the procedure indicated in (a) heretofore mentioned. The method for ratification set forth in (b) has never yet been invoked, but it is in full force and effect, and can be utilized at any time. The original instrument was ratified by conventions held in the then-existing States.

THE EIGHTEENTH AMENDMENT

Now, the eighteenth amendment has gone, in its processes of adoption, from the Federal Government; that is to say, from the Congress, down to the States, and has been adopted by the action of three-fourth of the States, speaking through their legislatures; or to be accurate, by 46 of the 48. The amendment having been thus adopted, it would seem that any proposal for its repeal, amendment, or modification, in order to be effective, should be initiated by the States themselves through the method prescribed by (b). If two-thirds of the State legislatures should make application to the Congress for the calling of a convention for such repeal, amendment, or modification, or for the general purpose of proposing amendments to the Constitution, it becomes the duty of the Congress, mandatory in character, to call such convention. When called, the convention will have the same power to propose any amendment as Congress itself, acting purely on congressional initiative, may propose. In either form of proposal, by the Congress or by the indicated convention, there must follow a submission thereof to all the States. Three-fourths of the States must ratify such proposal, acting either through their legislatures or by State conventions, as the one or the other method shall be prescribed in the proposal.

If the legislatures of two-thirds of the States should make formal application to the Congress for the calling of a convention—which will be national in character and will have to be set up in the form which the Congress must provide for—this will be a very strong indication or evidence that the people of the United States wish any particular proposal of amendment of the Constitution involved to be made; and this is the reason why Article V provides that in such state of case the proposal or proposals which may be made by any such convention shall be submitted to the States for ratification.

It is apparent that the form of any proposal made by such national constitutional convention should be of the same general character as that of any proposal which may be, under Article V, submitted by the Congress for ratification.

As the Constitution fails to provide the methods to be followed in the holding of State conventions for the ratification of proposed amendments thereto, it follows that the States themselves must provide the methods. On the other hand, if and when the Congress, upon the application of two-thirds of the States, shall call a convention for proposing amendments to the Constitution, it is apparent that Congress must provide the method for the holding of such national convention.

Not since the settlement of the slavery question by the arbitrament of the sword has there arisen in the Nation an issue so prolific of bitterness and controversy as is this one of prohibition. There has never been found any ideal plan for dealing with the liquor problem, and no ideal plan may ever be found. When and where may the angle of repose be attained? Of course, complete law observance would bring complete solution; but, for various causes, it has been found impossible to bring about such observance. Hence the endless agitation and controversy.

The chief argument in behalf of the repeal or modification of the eighteenth amendment is that the liquor question is one for State rather than for national treatment. If this argument is to have weight, should not the States themselves, therefore, initiate any movement for repeal or modification, and in the way prescribed by the Constitution? The States must act as units in dealing with any proposal for amendment of the Constitution. They can now act as units in an effort to effect repeal or modification of the amendment, if they desire such action brought about. If as many as two-thirds of the States fail to unite in their application to Congress for the calling and holding of a constitutional convention for the purpose referred to, how can it be hoped or expected that three-fourths of the States will ratify any proposal for repeal or modification which the Congress, upon its own initiative, might submit to the States? If it may be avoided, should any futile or experimental gesture touching the organic law be made through congressional initiative?

This is not intended as an argument either for or against the question of a so-called referendum on the subject involved. The attempt is here made simply to point out—without entering into the merits of the question—that any formal effort to bring about the submission of any proposal for repeal or modification of the eighteenth amendment, under all the facts and circumstances involved, more logically should be initiated by the States themselves, than by the Congress. The question of prohibition has already gone from the Congress to the States, and ratification by the States was made. If the States wish to achieve a repeal or modification, they can bring it back to Congress in the manner provided by the Constitution. Any action not grounded in constitutional sanctions can have, of course, no valid or binding force.

REFERENDA ON PROPOSED AMENDMENTS

In this general connection I express the opinion, long entertained, that if ever there should be had any so-called "referendum" on a question so highly controversial as that of prohibition, a direct vote of the people at the polls would be preferable to any other. It has been my judgment that Article V should be amended so as to provide this additional method of ratification as regards all future proposals for amendment of the Constitution, the States to act as units, as is now required. Accordingly, in the last, or Seventy-first Congress, on July 3, 1930, I introduced a measure (H. J. Res. 396) providing for such amendment of Article V. No action having been taken thereon, in this session I reintroduced the measure (H. J. Res. 333), and the same is now pending before the House Judiciary Committee.

If the resolution should become a part of the Constitution, the Congress, or any national constitutional convention called by the Congress upon application of the legislatures of two-thirds of the States, could submit to the direct vote of the several States any proposal for amending the Constitution; and a majority vote of each State, as registered at the polls by individual voters, would determine the action of the State as a unit. The present procedure as provided in Article V, touching the requirements that three-fourths of the States, acting as units, must ratify any proposal for constitutional amendment to render it effective, would not be affected by the provisions of the resolution.

Also in my proposal, provision is made that the States shall provide for the holding of the conventions authorized by Article V in the submission of any proposal for amendment of the Constitution—unless the Congress itself shall, by law, provide for the holding of such conventions, having for their purpose the ratification required by Article V. Although any proposal for amending the Constitution may be submitted for ratification, either to the legislatures of the several States or to conventions in the States, the authorization is only permissive in character.

Accordingly the States may decline or refuse to hold conventions for the purpose of considering for ratification any proposed amendment, where the submission may follow the State convention plan of procedure. For this reason, doubtless, no amendment to the Constitution has ever been ratified by the State convention method. The submission of all

the amendments has been to the legislatures of the several States. The fact that the legislatures were already set up and provided a simpler mode for ratification has doubtless caused that method to be always followed. Moreover, the fact that no State could be required to call conventions to consider proposals to amend the Constitution doubtless entered into the equation. Thus, to-day, with Article V as it stands, if the so-called Beck-Linthicum resolution should pass the House and Senate by the constitutional two-thirds majorities, I know of no means whereby the States could be compelled to hold conventions for purposes of its ratification; and if State conventions should not be held any such submission would be altogether futile.

Also in the indicated resolution which I have introduced, provision is made that "if any proposed amendment does not become a part of the Constitution within seven years after its proposal to the States, it shall not be operative." This provision is based on the decision of the United States Supreme Court in the case of *Dillon v. Glass*, Deputy Collector (256 U. S. 368; 41 Sup. Ct. Rep. 510; 65 Law Ed. 994).

The Beck-Linthicum resolution contained no time limit as to ratification, and this constituted, as I view it, a very objectionable feature. Unless a reasonable time limit for ratification is imposed, a proposal for amendment may drag on for an indefinite time; and while, under Supreme Court ruling, a reasonable period within which ratification should be made, is contemplated by Article V, yet unless a definite period is fixed, the question of what may constitute a reasonable period is one which may cause great controversy and confusion. For this reason the resolution I have proposed fixes seven years as the time during which ratification, as regards all future proposals for amendment, shall be made. This period was named in the eighteenth amendment, and in the case just cited the court held the same to be reasonable and valid.

I quote sections 2, 3, and 4 of House Joint Resolution 333, as follows:

SEC. 2. In the case of an amendment which is to be ratified by referendum, such amendment shall be submitted by each State to the electors thereof at a general election after the first general election in such State succeeding the proposal of the amendment. Each State shall conduct the election and determine the result thereof as the law of such State provides, or, in the absence of such State law, as the Congress shall provide by law. Electors in each State shall have the qualifications requisite for electors of the most numerous branch of the State legislature. The Congress shall have power to prescribe by law the form in which the question of the adoption of the amendment shall be submitted to the electors.

SEC. 3. In the case of an amendment which is to be ratified by conventions, each State shall provide by law for the ratification of such amendment by a convention held in such State for such purpose, unless the Congress provides by law for the holding of conventions for the purpose of ratifying such amendment.

SEC. 4. Ninety days after any amendment has been ratified in each of three-fourth of the several States, it shall be valid to all intents and purposes as part of this Constitution. If any proposed amendment does not become a part of this Constitution within seven years after its proposal to the States, it shall not be operative.

The Beck-Linthicum resolution did not, and could not, provide for its direct submission to the voters of the several States. It provided for a submission to conventions in the several States, as is permitted by Article V; but without authority to require the conventions to be held.

Mr. Speaker, I hope to secure a committee hearing on my pending resolution during the present session. I may say that it was introduced for basic reasons and considerations. As a matter of general principle and policy, I have believed that amendment of Article V should be thus made. If this resolution should prevail as a constitutional amendment, any proposal for future amendment of the Constitution could be submitted in the form of direct referendum to the voters of the entire Nation through the several States; and, touching questions of highly controversial character—for obvious reasons, as I see it—this would seem to be the wisest and most effective form of submission. When any great issue—especially one that may affect every home and fire-side—is thus brought to the door of every voter in the land, with the privilege accorded him of registering at the ballot

box his individual judgment thereon, the resulting action of ratification or rejection, would, as I believe, be accepted by all as being more conclusive of what the people may desire than will be the ratification or rejection by any other method.

THE REVENUE BILL

Mr. RAGON. Mr. Speaker, I move that the House resolve itself into Committee of the Whole House of the state of the Union for the further consideration of the bill H. R. 10236, the revenue bill.

The motion was agreed to; accordingly, the House resolved itself into Committee of the Whole House on the state of the Union, with Mr. WARREN in the chair.

Mr. HAWLEY. Mr. Chairman, I yield 20 minutes to the gentleman from Wisconsin [Mr. SCHAFER].

Mr. SCHAFER. Mr. Chairman, at this time I can only briefly discuss a few of the iniquities of the indefensible sales tax provisions of the pending bill. The question of politics has definitely entered into the consideration of this tax bill, any claims to the contrary notwithstanding. On March 10, 1932, the gentleman from Alabama [Mr. HUBLESTON] referred to the large Federal Treasury deficit as a Republican deficit and then proceeded to advance arguments in favor of the sales-tax monstrosity which levies a tax on those least able to carry the burdens and which, if enacted, will result in greatly aggravating the present depression and unemployment crisis now confronting our country and our people.

Let us look at a few facts to indicate whether the Republican Party can properly be charged with the Treasury deficit, as some of our demagogic Democratic friends desire in order to enhance the fortunes of the Democratic Party. An honest statement of facts conclusively proves that the Treasury deficit and the present serious financial condition of America is not chargeable to the Republican Party but directly to the Democratic Party. During the last Democratic administration prior to our Democratic World War, the national debt was approximately \$1,000,000,000. Under the Democratic administration our national debt increased to the stupendous amount of approximately \$26,596,000,000, on August 31, 1919. Certainly the extraordinary increase in our national debt must be laid at the doorstep of the Democratic Party and not of the Republican Party. The extravagance and policies of the Democratic Party were so revolting to the American people that in the election of 1920 the Democratic administration was turned out of office by an overwhelming mandate of our sovereign voters.

The Republican Party was selected by the American people and must be given credit for reducing the Democratic national debt from its peak figure of approximately \$26,596,000,000 on August 31, 1919, to approximately \$18,125,000,000 on February 29, 1932. It is true that we have a large Treasury deficit at the present time which does not appear to be diminishing, but, on the other hand, increasing; and the facts will clearly show that the Democratic Party and not the Republican Party is responsible for the present condition of the Federal Treasury, which is used as the vehicle for the Democratic Party to bring before the House for consideration this sales-tax monstrosity, for which the war profiteers and other multimillionaires of the country have been clamoring. Our Democratic brethren try to place the blame for the present stupendous cost of operating the Federal Government Treasury deficit on the Republican Party when only a brief consideration of a few of the facts clearly shows that they are deliberately intending to deceive the American people. It is true that we are spending over \$4,000,000,000 a year out of the Federal Treasury, which expenditures, by reason of the depression and decrease in revenue, have resulted in a deficit of over a billion dollars. If we look into the current appropriation bills we find an item of \$640,000,000 for interest and an item of \$426,485,000 to take care of maturing bonds of our national debt. We also find an expenditure of over a billion dollars to take care of the World War veterans, their widows, orphans, and dependents, who fought in our Democratic World War. Certainly these expenditures of over \$2,000,000,000

can not be laid to extravagance of the Republican Party when they directly and unmistakably are the result of the World War which we entered and conducted under the Democratic Party.

No one who has been denouncing the Republican Party for causing the increase in cost of government and the present Treasury deficit can point to any piece of legislation or appropriation under the Republican administration resulting in a cost on the Treasury that the Democratic Party, or any great number of its members, opposed. In fact, if all of the legislation and appropriations sponsored and advocated by a majority of the Democratic Party under the Republican administration were enacted into law, such as the debenture and other political schemes, the Treasury deficit at the present time would, no doubt, be more than \$5,000,000,000. Many of our Democratic brethren, from the floor of the House and on the stump, have tried to blame the Republican Party for the unemployment and depression, not only existing in this country but in every country of the globe, because of the enactment of the protective tariff bill. The Democrats have talked much about the iniquities of the tariff bill and the great detriments to our people by reason of such tariff, and when they obtained control of the House of Representatives, the body in which tariff legislation must originate under the Constitution, they have failed to report to the House any bill which reduces in any shape or manner even one of the existing Republican tariff rates which they complain about. They, however, pass a camouflage piece of legislation which provides for no reduction of tariff rates, which they claim exorbitant, but enters into a league of nations with reference to our tariff matters, in compliance with the well-recognized League of Nations doctrine of the Democratic Party, notwithstanding its repudiation by the American people in the 1920 election. And then we find the sorry spectacle of our Democratic brethren claiming to oppose the protective tariff bringing to the floor of this House, with a favorable report, the pending tax bill, which not only places an additional tariff of 2½ per cent ad valorem on practically all importations now carrying tariff rates as well as those on the free list, and in addition imposes on a revenue bill a tariff provision of 70 per cent ad valorem on crude and fuel oil and a 25 per cent ad valorem on gasoline in the name of raising revenue, although testimony furnished by the Treasury Department indicates no revenue would result because the rates are prohibitive and practically an embargo.

These same Democratic brethren who are advocating a 70 per cent ad valorem tariff on crude and fuel oil practically all voted against the little 20 per cent ad valorem tariff on shoes which was so necessary to protect the great shoe industry of America and the American workers employed therein from unfair competition of cheaply produced foreign products.

As a Republican protectionist I assure my Democratic brethren, who are crying for tariff on oil, that I shall be very glad to support an adequate protective tariff on that commodity provided it is brought in as it should be as a tariff bill and not as a rider on a revenue bill in the name of producing millions of additional revenue, when, on its face, it will not produce any, because of its embargo nature. The millions of American people who operate automobiles as a necessity, not as a luxury, should certainly resent the oil-tariff provisions of this revenue bill. The operators of these automobiles not only pay their license fee and personal property tax but, in many States, excessive State gas taxes, and now, under this bill, they will have to pay the sales tax on their new autos in addition to an increased sales tax on the fuel and oil which they consume.

Since this Government postponed the payment of debts owed to us by foreign governments over a long period of years at a sacrifice of many billions of dollars to the American taxpayer, which loans were made under the Democratic administration, we could certainly increase the national debt to take care of the present deficit instead of foisting upon the American people this iniquitous sales tax, particularly in view of the wonderful record of the Republican Party in extinguishing the Democratic debt since we have been in

power following the World War period. This is logical in view of the fact that over \$2,000,000,000 of the present deficit is directly the result of the Democratic war as I have previously indicated.

I am one of those who believes that, if it is necessary to wipe out the Treasury deficit at this time by taxing the American people, the pending bill could be amended so as to do so without placing the burden upon the backs of the people who are least able to carry it. Under this iniquitous bill, many of those without a substantial income or without a job are taxed on the very necessities of life. The man pounding the pavements looking for a job must pay the sales tax on the shoes and clothes which he wears; the bill provides for a tax on the fuel and gas used in the American home; it even provides for a sales tax on the ice which is so essentially necessary; it provides for a tax on canned fruits and vegetables; it provides a tax on the cereal used by millions of already undernourished children, as well as on their clothing; it provides for a tax on their sausage and frankfurters and provides for a tax on the baby's carriage and nursing bottle, while the luscious porterhouse steaks and the fresh fruits and vegetables of the multimillionaire are not subject to such tax.

The gentleman from Alabama [Mr. HUDDLESTON] eloquently pictured the conditions confronting our people and country to-day as comparable to our Nation's last war. Why is it, then, that the poor people who are now only keeping body and soul together and who are tramping the streets out of employment should be burdened with this iniquitous sales tax? Is it because it will receive the approbation of those multimillionaires who are best able to pay? If we are to now balance the Treasury by taxation, let us be reasonable and write a tax bill which will cause the least harm to our country and our people. The sales tax and tariff provisions of the bill should be stricken therefrom, and the income-tax rates on individual incomes as well as the inheritance and gift tax rates in the present bill should be greatly increased. [Applause.]

In the time of the World War, which is the direct causation of the present economic catastrophe confronting the nations of the world, the very lives of our citizens were taken by the Government in order to successfully carry on the conflict. Certainly if the present peace-time emergency through which we are now passing is comparable to the World War emergency, as so eloquently pictured by the gentleman from Alabama [Mr. HUDDLESTON], it would not be unjust to greatly increase the rates on those best able to pay. Can it be that this man-created Mammon in time of this great peace-time emergency has more rights than God-created man in time of war emergency, whose very life is taken from him in order to preserve our institutions and our people? Why can not this Congress write a just revenue bill if these funds must be raised by taxation at the present time in order to balance the expenditures of the Federal Government? Page 7 of the committee report indicates that an income tax, under the present bill, of an unmarried citizen having a net annual income of \$1,000,000 would be \$439,710, leaving him, mind you, a net income after paying the tax of \$560,290. If this peace-time emergency is comparable to war-time emergency, should this Congress allow these single persons with net incomes of \$1,000,000 to retain \$560,290 of it in order to keep body and soul together, exempt the fresh, fat, juicy porterhouse steaks which he eats from the sales tax, as this bill does, while taxing the sausage and frankfurters consumed by the poor man who perhaps has a net income of less than \$1,000 and has five or six hungry children to feed and clothe to keep body and soul together? This bill would exempt the fresh peas and other fresh vegetables which this poor downtrodden single person with a net income of over \$1,000,000 consumes, while it taxes the canned peas and vegetables which might be used to feed the hungry mouths of the children of the poor, many of whom now have no net income. It would take many days to picture a small fraction of the iniquities of this sales-tax measure, and if the Democratic Party is to claim motherhood and the Republican Party fatherhood to

this illegitimate, unequitable, cruel, and inhuman tax on misery and despair, I can see that a new political party will be born in the near future.

The inheritance-tax rates and gift-tax rates should be greatly increased, and those who have accumulated vast fortunes should be the first to recognize the necessity and justification for such increases. They should not become drunk with power and wealth and fail to realize what happened in Russia. The rank and file of the American people have been very patient, but the time might come when the yoke would become too burdensome to bear, the same as it did in Russia. If for the security of the Nation and our people the human lives of our citizens are taken in time of war emergency, certainly there should be no objection to greatly increasing the individual income, inheritance, and gift tax rates in time of this peace-time emergency.

I want to particularly call to the attention of all fair-minded Members of the House what I believe, and know you will believe after you consider all of the facts, to be one of the most indefensible provisions of the sales tax as embodied in this bill. I particularly refer to excise tax on wort and malt appearing on page 228. You Members from the farm districts who have been trying to help the farmers by sponsoring legislation to take care of their surplus, as well as those interested in the consumer's standpoint, should hesitate before you support this provision. Due to the low duty of 40 cents per hundredweight on malt imported from Canada, as against the Canadian duty of 75 cents per hundredweight on malt exported from the United States into Canada, and the fall in the Canadian currency, the American manufacturers of malt have suffered immeasurable hardships. The United States Tariff Commission is now investigating the importation of malt from foreign countries, and it is expected that they upon careful consideration of all of the facts will recommend an increase in the tariff rates. If that increase is not granted, many malt manufacturers in this country will go into bankruptcy with the result that thousands of workers will be added to the long list of unemployed, and a great market for the American farmer's grain will be closed. [Applause.]

To briefly show a picture of the problem confronting the American malt industry I incorporate in my remarks a letter from one of the many Wisconsin malt manufacturers, dated December 29, 1931:

MANITOWOC, WIS., December 29, 1931.

HON. JOHN C. SCHAFER,

House of Representatives, Washington, D. C.

DEAR SIR: An alarming situation is facing us since England went off the gold basis and United States money commands a premium over Canadian funds.

Due to the low duty of 40 cents per hundredweight on malt imported from Canada, as against the Canadian duty of 75 cents per hundredweight on malt exported from the United States into Canada, shipments of malt into the United States from Canada, which previous to 1930 were practically nil, have increased rapidly and have run as high as 100,000 bushels per month. This threatens destruction of the market on barley for our farmers, who are already suffering, due to an insufficient market for their grain and the low prices obtained for the same. At the same time it is endangering the existence of the malting industry, now already seriously hampered, due to the limited market for its product.

During the month of October there was imported into the United States from Canada nearly 20 per cent of all the malt shipped to domestic consumers during the month of November, due to the low prices at which Canadian maltsters are able to sell. They have an advantage in being able to purchase barley in Canada at lower prices than obtained in this country; their labor costs are under those in the United States, where wages in the malting industry have not been reduced and the union scale of wages is being paid.

A situation already bad before England went off the gold basis threatens to force the closing down of malting plants now operating unless quick action is taken through some emergency measure. Exports of malt from the United States have declined to a considerable extent during the past two years, due to monetary conditions in foreign countries and the high tariffs which have been placed on importations of malt into those countries which formerly purchased supplies in the United States.

As a result the sales of this company, which ran as high as 4,400,000 bushels per annum previous to 1930, during the past two years have been reduced to 2,700,000 bushels.

To end this business depression and unemployment in the United States it is essential to stop leaks. We here have a concrete example which can be alleviated by an emergency measure to prevent Canadians shipping barley and malt into the United States.

During the past several years malting barley has commanded a higher price in the United States than other grains, per pound basis. The present price of the same is 60 cents per bushel of 48 pounds. Take from the farmer the malting demand for barley and it would sell on a feed basis, which is from 15 to 20 cents less per bushel.

We submit the following figures taken from the 1931 operations of our malting plant, showing disbursements for wages, freight, fuel, supplies, etc.

Cereal Products Co.'s disbursements for the year 1931

| | |
|--|--------------|
| Wages paid..... | \$254,557.80 |
| Grain purchases, principally barley; some rye and wheat..... | 1,749,039.76 |
| Bituminous coal, anthracite coal and coke (used for power, drying, and roasting purposes)..... | 86,545.11 |
| Freight on shipments of grain to plant..... | 258,980.40 |
| Outgoing freight on manufactured and by-products..... | 107,872.03 |
| Cotton grain bags..... | 29,000.00 |
| Sundry supplies..... | 9,969.40 |
| Advertising expense..... | 6,500.00 |
| Insurance premiums on grain and plant..... | 22,000.00 |
| Plant improvements..... | 76,293.22 |
| Local taxes..... | 14,000.00 |
| Repairs to machinery, plant, and equipment..... | 30,462.92 |

The above represents only one unit of the malting industry.

It is quite evident from these figures that unless something is done to prevent the Canadian malting industry from destroying our market, not only will the farmers' market for malting barley be destroyed, but railroads will suffer a serious loss in revenue; unemployment will be further increased, and other lines of business will suffer from a loss of patronage up to the present time derived from the malting industry. The railroads will also suffer the loss of freight revenue on shipments of coal, coke, grain, etc., into malting plants.

We are submitting the above data to you, and earnestly pray for relief and assistance, which should be quickly available in an emergency of this kind.

Yours very truly,

CEREAL PRODUCTS CO.,
F. A. MILLER, General Manager.

I also incorporate the following table, concerning the importation of barley malts, which was furnished me by the United States Tariff Commission on January 14, 1932, and which indicates the extraordinary increase in the importation of foreign malts produced from the grain of foreign tillers of the soil.

Barley malt: Imports into the United States for consumption

| Calendar year | Rate of duty | Quantity ¹ | Value | Duty collected | Value per unit of quantity | Actual or computed ad valorem rate |
|-----------------------------|--------------------------|-----------------------|----------|----------------|----------------------------|------------------------------------|
| 1923..... | 40 cents per 100 pounds. | Bushels 11,675 | \$21,715 | \$1,588 | \$1.86 | Per cent 7.31 |
| 1924..... | do..... | 22,500 | 37,500 | 3,061 | 1.67 | 8.14 |
| 1925..... | do..... | 24,594 | 48,834 | 3,345 | 1.99 | 6.91 |
| 1926..... | do..... | 30,225 | 53,360 | 4,112 | 1.76 | 7.71 |
| 1927..... | do..... | 23,800 | 38,887 | 3,238 | 1.63 | 8.33 |
| 1928..... | do..... | 25,453 | 34,473 | 3,462 | 1.35 | 10.04 |
| 1929..... | do..... | 30,159 | 48,818 | 4,102 | 1.62 | 8.40 |
| 1930 (Jan. 1-June 17)..... | do..... | 16,474 | 23,557 | 2,241 | 1.43 | 9.50 |
| 1930 (June 18-Dec. 31)..... | do..... | 110,274 | 73,749 | 14,997 | .67 | 20.34 |
| 1931 (Jan. 1-Nov. 30)..... | do..... | 1,068,218 | 612,140 | 145,278 | .57 | 23.73 |

¹ Converted from pounds to bushels of 34 pounds.

Mr. Chairman, the proposed manufacturers' excise tax on malt sirup should not be passed for the following reasons:

Subdivision D of section 601, title 4, of the manufacturers' excise tax provides—

(d) In the case of the following articles the tax imposed by this title shall be at the following rates:

(2) Brewer's wort, liquid malt, malt sirup, and malt extract, fluid, solid or condensed, if containing less than 15 per cent of solids by weight, 5 cents a gallon; if containing 15 per cent or more of solids by weight, 25 cents a gallon.

All brewer's wort contains less than 15 per cent of solids by weight and will under the provisions of paragraph (2) be subject to a tax of 5 cents per gallon.

Malt sirup or malt extract, which is the same product, is manufactured from malted barley and as marketed in sirup or powdered form contains more than 15 per cent of solids by weight and will under the provisions of paragraph (2) be subject to a tax of 35 cents per gallon. Malt sirup is marketed by the pound, and not by the gallon; the average weight of a gallon of malt sirup is 11 pounds.

Malt sirup is a food product, an essential ingredient in the manufacture of bread, and should be exempt from the provisions of the manufacturers' excise tax, the same as flour, sugar, and salt.

There was manufactured in the United States during the year 1931 approximately 385,000,000 pounds of malt sirup, or 35,000,000 gallons. Of this amount, over 100,000,000 pounds of malt sirup was used by the baking, breakfast food, textile, and drug industries. The remaining 285,000,000 pounds was sold in 3-pound cans and used in the home for baking and other domestic uses, including the making of home-brew. Malt sirup has been used by bakers in the making of bread for more than 30 years and is used to-day by practically every commercial baker in the United States. It is used by the breakfast-food manufacturers in the preparation of their food products and by manufacturing druggists for pharmaceutical purposes. It is also used by the textile industry in large quantities for desizing purposes.

The proposed tax on malt sirup is unjust and an unfair discrimination against the baking, breakfast-food, textile, and drug industries.

Malt sirup is sold in bulk to the baking, breakfast-food, textile, and drug industries at an average price of 6 cents per pound. The proposed tax on malt sirup of 35 cents per gallon amounts to a little over 3 cents per pound, or 50 per cent of the sale price. Such a tax is unjust and oppressive and penalizes the above industries to the extent of more than \$3,000,000 a year for the privilege of using malt extract in the manufacture of necessary and legitimate products.

The total revenue to be collected for a year for the proposed tax on malt sirup and brewers' wort will be less than one-third of the estimated \$15,000,000, if we use the amount of malt sirup and brewers' wort sold during the year 1931 as a basis for computing the revenue which the Government will receive for the first year under the proposed tax, as we find the following:

Thirty-five million gallons of malt sirup, at 35 cents per gallon, \$11,250,000; 50,000,000 gallons of brewers' wort, at 5 cents per gallon, \$2,500,000, making a total of \$13,750,000.

Can any member of the Ways and Means Committee or any Member of the House present any valid reason, if the 2½ per cent manufacturers' sales tax is adopted, why malt manufactured from the American farmers' grain and consumed by the American people, as I have heretofore indicated, should be singled out to carry a 50 per cent sales tax, while all other sales taxes are but 2½ per cent?

I respectfully submit that sufficient revenue can be raised to make up the Treasury deficit by increasing the individual income, gift, and inheritance tax rates, and legalizing the manufacture and sale of a good, wholesome, nonintoxicating beverage, containing not more than 2.75 per cent alcohol by weight, with a special excise tax levied thereon. No member of the Ways and Means Committee and no Member of the House who supports the 5 cent per gallon sales tax on brewers' wort can consistently oppose such special excise tax from the prohibition standpoint.

I challenge any Member of this House to name one specific purpose for which brewers' wort can be used except to manufacture beer. When you vote for this tax on wort you put your stamp of approval on wildcat breweries manufacturing a beverage which contains far more than 2.75 per cent alcoholic content, by weight, for consumption by the American people. If you defend your position in favor of the extortionate sales tax on malt sirup and brewers' wort on any ground whatever, you must necessarily take your position on the ground that you are taxing by indirection what you do not have the intestinal stamina to tax by direction.

I want it to be clearly understood that I am not defending wildcat brewing and that I am not one of the many American citizens, in these days of prohibition frenzy, who pays 25 cents for a glass containing a few mouthfuls of wildcat brewery beer, or 50 to 75 cents for a bottle of the same beverage, which is made by hijackers, bootleggers, and tax evaders at the present time, and the making of which will be sanctioned by the Congress of the

United States if the special sales tax of 5 cents a gallon on brewers' wort which is in this bill becomes law.

I am of the firm belief that if a beverage containing not more than 2.75 per cent of alcohol, by weight, would be authorized and a special excise tax levied thereon, that between four and five hundred million dollars annually would come into the Federal Treasury as revenue and also at the same time the total amount paid for brewed alcoholic beverages by the American public. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield to the gentleman from Missouri [Mr. FULBRIGHT].

Mr. FULBRIGHT. Mr. Chairman, ladies and gentlemen of the committee, I desire to voice my emphatic protest against that feature of the pending revenue bill which calls for the imposition of a sales tax. I am opposed to such a tax because I think it is vicious in theory and destructive in its effect. It is repugnant to the Jeffersonian theory of government, and is a direct offspring of the fertile brain of the Hamiltonian. I have listened with a great deal of interest to the debate on this bill during the past few days, and have studiously scanned the CONGRESSIONAL RECORD to find some substantial reason for the imposition of such a tax. Summing the whole thing up in a nutshell, the only reason that carries any weight, that I have been able to find, is that it is necessary to balance the Budget. Since when has it become a sacred and binding obligation to balance the Budget within one year? What great disaster will befall this Republic should we not succeed in balancing the Budget through taxation within one year? Where is the prophet who has been able to picture the tragedy that would result? What statesman has been able to convince us with clarity and logic that disaster will follow if we fail to balance the Budget within one year?

What assurance have we that the Budget will be balanced should we pass the pending tax bill imposing this vicious and inequitable tax? If the orgy of waste and extravagance that has been pursued by the present administration is to continue, this revenue bill will not and can not balance the Budget. The argument that we must balance the Budget at once is panicky in its effect and is intended to drive us blindly into the support of a tax that is repulsive, unjust, and un-American. I believe in placing patriotism above party affiliation and the welfare of our country above personal ambition, but I think more of humanity and the oppressed people than I do of balancing the Budget. [Applause.]

It did not become imperative that the last Congress balance the Budget through taxation, but since the Democratic Party obtained a meager majority in the House, three of the anointed, Messrs. Hoover, Mellon, and Mills, chose us to rake their chestnuts out of the fire. I am ready to go to any length in the interest of my country, but I can not follow the leadership of these triplets in a movement to enslave the common people. The sales-tax provision in the present revenue bill is a dangerous and untried departure from the fiscal traditions of this country, reversing the theory that taxes should be collected from those best able to pay and in proportion to ability to pay.

To-day there are approximately 9,000,000 workers in the ranks of the unemployed. Adding to this number the dependents, we have an army of probably 30,000,000 people without income. Some of them drawing from what little reserve they had for sustenance, the remainder subsisting upon charity. This bill saddles on the United States what it undertakes to call a "manufacturers' tax" of \$600,000,000, the major portion of which will come from the pockets of the already overburdened farmers and wage earners of the country. Already the purchasing power of 70,000,000 of our people has been greatly impaired or wholly destroyed, yet you seek to impose upon them this tax to increase their misery and poverty.

If prosperity is to be restored in this country, the purchasing power of all the people must be restored. This can not be done by shifting the burden of taxation upon those who are least able to pay. The proposed tax is, in effect, a per capita tax, not a property tax.

To-day approximately 90 per cent of the wealth of this country is owned by 5 per cent of the people, according to the statements of reliable economists. Under the operation of the manufacturers' tax, so-called in this bill, which is in fact a sales tax or consumers' tax, the 5 per cent of the people who own 90 per cent of the wealth will pay only 5 per cent of this \$600,000,000 tax to be imposed. Such a vicious and inequitable proposal to my mind is outrageous if not a crime, and especially so coming at a time when the people who will bear 90 per cent of this burden are either facing bankruptcy or are in poverty and distress.

The future of this country can be secure only when we have a happy, prosperous, and contented citizenship. We are far from this to-day. It is no time to trifle with the people. At a time when everything should be done to relieve distress and restore buying power, are we going to take action to decrease it? The present administration destroyed our foreign trade through the enactment of the Smoot-Hawley Tariff Act. Shall we Democrats now become a party to the destruction of industry at home? Let us face about and in equity and good conscience give attention to the common man. The moratorium has been passed, which meant tax relief for foreign countries and tax increase for America. We passed the Reconstruction Finance Corporation act, which means tax increase for the masses and debt relief for the few. We passed the Glass-Steagall bill, which gives relief to bankers. In fact, relief has been attempted for every group that has been instrumental in bringing on the depression in which we are found, and now an attempt is made to penalize the common man, innocent and helpless, to raise the money for the relief of these various groups and to balance the Budget.

From 1922 to 1932, inclusive, the Treasury Department shows that cash refunds, credits, and abatements in connection with income, excess-profits, and inheritance taxes amounted to approximately three and one-half billion dollars. This money was tendered back largely to such interests as the Aluminum Trust, the Steel Trust, the oil industry, and the immensely rich, and after every reasonable deduction and abatement had already been made. Had this money been retained, we would to-day have a surplus in the Treasury and not a deficit, but it has been handed back to these contributing angels of the party in power. These are the parties who should pay the major part of the taxes that are necessary to balance the Budget. The passage of a sales tax of this kind would be the crowning glory of the high priests of privilege and plunder, and would sound the death knell to the ambitions and aspirations of the common people of this country.

I was interested the other day by a statement made by a gentleman relative to the Demagogues Club. Referring to the farm bloc, he said, "You took \$500,000,000 of the people's money belonging to all the people and you put it in the hands of a board and you commissioned that board to juggle the market, to buy, to sell, to organize, to incorporate, and to manipulate the prices of farm products." In behalf of the farmers I want to say that there never has been a piece of legislation passed by this Congress that embodied the wishes and desires of the American farmer. The tariff barons have always written their own legislation or had it written by their friends.

The great industries dictate their schedules, either prepare them themselves or have them prepared by their friends, but the farmer has never been permitted to write his legislation nor have his friends been permitted to write it for him. Before the bill above mentioned, carrying the appropriation mentioned and creating the Farm Board, was passed, it was gutted of everything that the farmer had asked for. It was not his measure and it was not the production of his wisdom or intelligence. It was not the product of the farmer or the farmer's friend.

He then attacked the soldiers' group of the club. Among other things, he said, "They are not willing to take \$600,000,000 from all the people of the country, as provided by this sales tax, yet they are raring to take \$1,800,000,000 of

the people's money and distribute it among the soldiers." I do not know how extravagant the soldiers' bloc may be, if at all. I will say, however, that I have as much faith and confidence in these boys in civil life in times of peace as I did while they followed the flag. They made their contribution to the lasting credit of this Republic in the late World War, and they are making their contribution to this country now, and I am more concerned about them and their welfare than I am the profiteer who pillaged and plundered while these boys were offering their all on their country's altar. These boys never faltered in line of battle and will not whine when taxation is just.

I still hear the echo of the bugle call, the drumbeat, and the tramping of millions of feet at the training camps and cantonments. I see the ships of destiny as they carry the boys across the sea 'mid the lurking perils of the submarine. I see them land on a foreign soil and rush to the battle front. In the face of every instrument of death that human ingenuity and the genius of man could devise they assumed their place in that mighty orgy of blood and carnage. The poison gases, machine guns, and heavy artillery failed to check their onslaught. At Chateau-Thierry, St. Mihiel, the Argonne, and all along the Hindenburg line their acts of bravery and deeds of daring stunned the allied forces and broke the morale of the Hun. Amid this unparalleled tragedy of the world's history they seized the pen of destiny and, dipping it in the sunset glow of the autocracy, wrote on heaven's blue above them the matchless splendor of American valor and the deathless glory of American arms. Shall we forget them now in the face of such a record as this? Shall we forget their superb courage and matchless achievement? Shall we forget the sacrifices made and the patriotism with which they served? Shall we forget the widows and orphans of the fallen heroes who followed the flag? No; in God's great name, no.

Lord, God of Hosts, be with us yet,
Lest we forget, lest we forget.

[Applause.]

But let us get back to the sales tax. To-day the poultryman is selling his eggs at 6 cents a dozen. He will be required to pay a sales tax on the crate. The dairyman is selling his cream at 17 cents a pound. He must pay a sales tax on the can. In fact, the farmer who is to-day compelled to sell staple farm products at less than the cost of production must pay a sales tax upon most of the things he eats and everything he wears. The laboring man, with a wage upon which he and his family can scarcely exist, must pay a sales tax upon his overalls and shirts, his hat and shoes, and everything that his family wears. Such a tax will place a burden upon these people that they can not carry. It will result in consternation, chaos, and demoralization. The power to tax is the power to destroy, and when you seize upon the sales-tax theory you are wielding the weapon of destruction. Let us balance the Budget by strict economy, by eliminating waste and extravagance, by limiting appropriations to necessary and meritorious purposes, by abolishing the useless boards and commissions that feast upon the Public Treasury, and by eliminating duplications and overlapping agencies of government. In short, by reducing the cost of administering the affairs of this Government. If we will do this, a fair and equitable revenue bill will suffice. The Budget can then be balanced. In my opinion, no greater calamity could befall the people of this country than the passage of a revenue bill imposing a sales tax. Let us adhere to that just and equitable theory that taxes should be collected from those best able to pay and in proportion to ability to pay. [Applause.]

Mr. DOUGHTON. Mr. Chairman, the bill now under consideration is perhaps the most important piece of legislation that will come before the present Congress. I want it understood at the outset that I do not approach this debate in any Pharisaical, sanctimonious, or "holier than thou" spirit. Neither do I claim any monopoly on patriotism, and I hope it may be understood at the outset that nothing I

say is to have any personal application unless so stated, and I shall endeavor not to reflect upon nor impugn the motives of those who disagree with me, and most assuredly, I shall not ridicule either the living or the dead.

It is with sincere regret that I find myself in disagreement with a majority of the members of the Ways and Means Committee, of which I have the honor of being a member. I am, however, comforted with the thought that I am standing upon the traditional principles and policies of the Democratic Party and upon the platform upon which I have ever stood in opposing the sales tax and other provisions of the pending revenue bill. It is also pleasing to observe that a majority of the Democrats of the House are in opposition to the bill as it is written. Also many Republicans.

On December 9 last, the President of the United States, in transmitting the Budget to the Congress, advised us that there would probably be a deficit of over \$2,000,000,000 for 1932 and a deficit of \$1,417,000,000 for 1933, also that there had been a deficit for 1931 of \$903,000,000.

It seems that this was the first time the President had awakened to the seriousness of the financial condition of the Treasury. He also stated in this message that it would be necessary for the new Congress to undertake immediately the task of raising additional revenue to balance the Budget for 1933. The reason I say this was a recent decision arrived at by the President is that the New York Times on September 30, only about two months before the Congress convened, carried the following news item, quoted in part:

WASHINGTON, D. C., September 29, 1931.—The White House to-day made it known that President Hoover has reached no decision as to whether a program of tax revision looking to a larger Government revenue will be submitted to the December Congress.

If this serious financial condition was known to the administration earlier—and I maintain it was or should have been—the President should have called it to the attention of the last Congress or should have called the present Congress into extra session a year ago in order that we might have dealt with the situation and provided additional revenue to prevent the deficit of 1931–32 as well as 1933. We could then have enacted legislation increasing income and inheritance taxes, and also enacted the gift tax carried in the pending bill. This would have given us for the fiscal year 1932 the income taxes for the calendar year 1931, as well as other taxes that could have been collected up to June 30, 1932. Had this action been taken by the President, it would not now be necessary to resort to some of the radical and extreme provisions carried in the pending bill, to which I shall refer later.

By waiting and withholding this important information from the Congress until December last the administration has put the Congress in a very serious and embarrassing predicament. Nothing was done whatever by the administration to prevent the deficit of \$903,000,000 for 1931, and it is now too late, of course, to prevent the deficit around \$2,000,000,000 for 1932. The administration and the Treasury officials were "asleep at the switch" or were unwilling to meet the situation promptly, and the people were being deceived with the periodical and ever-recurring statement that prosperity was "just around the corner."

But the truth will out, and finally a year too late to prevent the deficit of 1931 and 1932 the President and the Secretary of the Treasury disclosed to the Congress and the country a financial crisis in our Government that is unprecedented.

On January 13 last the Committee on Ways and Means began a series of hearings preparatory to writing a tax bill to provide for the proper functioning of the Government. At the first hearing by the committee the Secretary of the Treasury, Mr. Mellon, appeared before our committee and read or caused to be read, by the Hon. Ogden Mills, at that time Under Secretary of the Treasury, an estimate that approximately \$920,000,000 of additional revenue would be required to balance the Budget in 1933, not including the debt-requirement fund.

On the basis of this estimate the committee proceeded to hold hearings for something like a period of 30 days, and

after the hearings were concluded on February 16 this estimate was changed by the new Secretary of the Treasury, Mr. Mills, to \$1,241,000,000 with the explanation that, "Owing to marked changes that have occurred in economic conditions since the time the original estimates were made, revenues would decline \$321,000,000 more than was anticipated." This report stated further that the same changes in economic conditions have necessitated revision of the estimates of the additional revenue that would be yielded by the taxes outlined in the Treasury program of December, resulting in a reduction of \$134,000,000. Thus it is shown that the estimates of the Treasury varied to the astounding figures of \$455,000,000 in less than two months. It seems that these errors and discrepancies have been common and chronic with the Treasury Department for the past 10 years, and the variation of several hundred million dollars is of little consequence and to be expected.

The Treasury Department resolutely contends that if the Budget is not balanced the economic structure of the Government will be seriously impaired or destroyed. I maintain that the Treasury and the administration are inconsistent, if not insincere, when they demand that the Budget be balanced in order to prevent economic disaster. If it be true that to fail to balance the Budget for 1933 will produce dire results prophesied, then it was equally true for the years of 1931 and 1932. Yet the administration and the Treasury Department remained silent while the deficit of 1931 was accumulating and raised no alarm until one-half of the fiscal year of 1932 had expired and until it was too late to prevent a deficit for either of those years.

If any dependence at all can be placed in the estimates of the Treasury, and if the danger of not balancing the Budget is as great as now claimed, then I assert that the administration is guilty of criminal neglect and infidelity to the American people for not sounding the alarm in time to have prevented the deficit for 1931-32. If they can tell now what the deficit is to be for 1932-33, then it must be true they could have told one year ago what it would be for 1931-32.

Had the Congress been called into session in March or April of last year, the Republicans would have organized the House and would have been in charge of every branch of the Government. It was only as result of changes that have occurred in the House membership since last summer that the Democrats were able to organize the House.

It is manifestly true that so far as any party can be responsible the Republicans are responsible not only for the serious economic condition that prevails throughout the country to-day, unprecedented in all our history, but they are also responsible by neglect, if not dereliction, for the deficits that have occurred and are in prospect; so at least it must be evident to everyone, and should be proclaimed to the world, that the present economic depression and the present economic condition of the Treasury are Republican afflictions.

The truth is the Budget was balanced in 1929 and 1930 when the financial crash came, so a balanced Budget did not prevent the present economic debacle we are experiencing, and there is no evidence that a balanced Budget will either mitigate or cure the evils from which we are intensely suffering. The trouble is deeper than that. I realize that the Budget should be balanced at the earliest date reasonable, considering, of course, the depressed condition of the country and the ability of the people to pay increased taxes, but no one is prophet enough to tell at this time what additional tax will be necessary to balance the Budget for 1933.

It all depends upon the business conditions. If they improve, as is hoped by all and claimed by many, the taxes now imposed, with increases carried in the pending bill on incomes, inheritances, gifts, and so forth, should raise sufficient revenue to balance the Budget for 1933.

To show how inaccurate and unreliable the Treasury officials have been in the past in estimating Government receipts and expenditures, I give the following facts and figures:

In past estimates they have made the following errors:

| | |
|---|---------------|
| For 1923 the Treasury estimated a deficit of..... | \$822,000,000 |
| For 1923 there was a surplus of..... | 309,657,460 |
| An error of..... | 1,006,657,460 |
| For 1924 the Treasury estimated a surplus of..... | 324,000,000 |
| The surplus was..... | 505,366,986 |
| An error of..... | 181,366,986 |
| For 1925 the Treasury estimated a surplus of..... | 68,000,000 |
| The surplus was..... | 250,505,233 |
| An error of..... | 182,505,233 |
| For 1926 the Treasury estimated a surplus of..... | 262,041,756 |
| The surplus was..... | 377,767,817 |
| An error of..... | 115,716,061 |
| For 1927 the Treasury estimated a surplus of..... | 383,079,095 |
| The surplus was..... | 635,000,000 |
| An error of..... | 251,920,905 |
| For 1928 the Treasury estimated a surplus of..... | 200,703,863 |
| The surplus was..... | 398,828,281 |
| An error of..... | 198,124,318 |
| For 1929 the Treasury estimated a surplus of..... | 36,990,192 |
| The surplus was..... | 184,787,035 |
| An error of..... | 147,796,843 |
| For 1930 the Treasury originally estimated a surplus of \$225,581,534, but later changed this to..... | 145,581,534 |
| The surplus for that year was..... | 183,789,215 |
| For 1931 the Treasury estimated a surplus of..... | 180,076,657 |
| There was a deficit of..... | 902,716,845 |
| An error of..... | 1,082,793,502 |

So, from this exhibit, would we be justified in taking the Treasury estimates as a safe guide or justification for raising the full amount claimed necessary to balance the Budget? When we have in the past prepared revenue bills we have oftentimes heard our honored Speaker [Mr. GARNER], also our distinguished floor leader [Mr. RAINEY] severely criticize and ridicule Treasury estimates, and we know full well that they have in the past flatly refused to accept as a safe basis for legislation estimates of the Treasury Department. Moreover, to my certain knowledge, ex-Senator Simmons, of North Carolina, a distinguished Senator from our State for 30 years and chairman of the Senate Finance Committee for 10 years, never relied on the estimates of the Treasury in preparing tax bills. It is also a matter of record that the late Senator Jones of New Mexico, while a member of the Senate Finance Committee, stated in part:

I will say a word, however, with reference to surplus which was estimated by the Treasury Department. I have lost all faith in Treasury estimates. When I look back over the history of the adjusted compensation bill—bonus bill—I find that whenever there was even a thought of that legislation being enacted there came from the Treasury Department the most pessimistic howl that ever came from a responsible source. Some estimates were made varying more than \$1,000,000,000, varying from a surplus of over \$300,000,000 to a deficit of \$822,000,000.

For the first time in the history of the House of Representatives the Ways and Means Committee has prepared and brought before Congress a revenue bill embodying as one of its main features a general sales tax, levying 2¼ per cent on nearly 150,000 articles of trade and commerce with only a few exceptions.

Previously sales taxes have been levied only as war measures and have always been limited to a restricted class of commodities. Now for the Federal Government in peace times to adopt a general sales tax is a new departure in Federal taxation that is wholly unjustified either by the condition of the National Treasury or the ability of the people to pay.

The first effort to impose this nefarious tax system on the people of the country in peace times was made in the other body in 1921, when certain Senators sponsored a similar provision. However, it was overwhelmingly defeated by a Republican Senate, and a Democratic minority stood in solid phalanx against it; but, alas, we now have the anomalous spectacle of the Ways and Means Committee of the House yielding to the persuasive voice of Andrew Mellon, former Republican Secretary of the Treasury, who has been trying to foist this tax policy upon the country for the sole purpose of relieving the wealthy of the payment of income, inheritance, and other taxes.

The bill we are now considering has many good features with which I am in hearty accord. I approve the provision increasing the tax on incomes, inheritances, and gift taxes, as well as some of the excise provisions. I also heartily

approve the administrative changes of the bill by which probably more than \$100,000,000 annually will be saved.

The provisions of the bill relating to theaters and moving pictures should be modified so as to exempt all those with admission charges of 50 cents and less. The motion-picture industry is an amusement particularly for the poor, and the low-priced ones should not be taxed.

But it is the abominable sales-tax provisions of the bill that make my support of it impossible. In my opinion, one of the prime causes of the present depression, and, perhaps, the greatest, outside of the unjust, inequitable, and burdensome legislation enacted by the Republican Party for the last 10 years, has been the heavy load of taxation the people of the Nation have been compelled to bear—heavy national taxes, heavy State taxes, heavy county and municipal taxes—taxes galore in every direction, and the proponents of this measure say that the way, and the only way, to restore prosperity is to lay on the bending and broken backs of the ordinary and poor people of America still additional taxes.

The strangest remedy that I have ever heard or that has ever been advanced to cure a panic and restore prosperity! Why has not some one thought of this before? Why was it necessary to enact Reconstruction Finance Corporation legislation, the legislation providing for additional assistance for the Federal farm banks, and the other remedial measures? Why did we not increase taxes at the outset? How absurd, how ridiculous! With eight or ten million people unemployed, manufacturing establishments idle or running on short time at a loss, with agriculture prostrate, with banking institutions of the country by the thousands in the hands of receivers, economic scourge spread throughout the country like a "pestilence that walketh in darkness or a destruction that wasteth at noonday," we propose as our remedy the indefensible, unheralded, extreme sales tax. It is claimed by some that this sales tax is so small that it will not be felt; but I say it will not only be felt but it will be a serious burden upon the American people, especially those least able to bear it. It is estimated that this tax will raise \$600,000,000 per annum, and counting a population of 120,000,000, this would be an average tax for every person in the United States of \$5. Allowing five persons for the average family, this would be \$25 additional taxes on the average for every family in the United States.

This afternoon we heard two able speeches by members of the Ways and Means Committee, of which I have the honor to be a member. One was by the gentleman from Washington [Mr. HILL] and one by the gentleman from Illinois [Mr. RAINEY]. If what the gentleman from Washington said in his 20-minute speech on this bill and the sales-tax provision be true, then it should never become a law. If what the gentleman from Illinois [Mr. RAINEY] said concerning this legislation be true, it should have been a part of the taxing policy of our Government from its very foundation.

I had always been taught that we had statesmen in the United States who were able to cope with our economic problems. I had understood that the Secretary of the Treasury, Mr. Mellon, was a wizard in financial legislation. [Applause.] I had understood, my friends, that he could work wonders and perform miracles; but when we came to the task of raising this additional \$500,000,000 revenue, they imported a gentleman from Canada by the name of Jones, and he was here for several days before that committee. I do not know just how long he was here. They then reported this marvelous sales-tax provision which is now a part of the pending revenue bill.

Now, my friends, it is not patterned after the Canadian system. They say the Canadian system has worked wonders. I have here a copy of the Canadian law.

Mr. RANKIN. Will the gentleman yield?

Mr. DOUGHTON. Yes; I yield.

Mr. RANKIN. Will the gentleman tell us whether William Randolph Hearst had anything to do with bringing this man Jones down here?

Mr. DOUGHTON. I can not tell the gentleman, but I know that William Randolph Hearst has been one who has tried to get the sales tax adopted in the United States for several years.

The gentleman from Illinois [Mr. RAINEY] traced the sales tax back to Rome and Greece and Egypt. I thought that was a very unhappy suggestion. Are we to follow in the footsteps of Greece and Rome and Egypt and pattern after those nations of antiquity in our financial matters?

Mr. RANKIN. Will the gentleman yield further?

Mr. DOUGHTON. I yield.

Mr. RANKIN. Did the gentleman finally trace it to India, where they place a sales tax on the loin cloth which Ghandi wears?

Mr. DOUGHTON. Well, the gentleman chased around in such a crooked path so long that I could not tell exactly where he did go. [Laughter.] I know in his desperation to justify the sales tax and to square himself with his inconsistent position he traveled around a great deal. There is not a man who has made more speeches on the floor of the House of Representatives, since I have been a Member, against unjust taxation than the gentleman from Illinois. I was really astounded, but not surprised, that he was driven to such a desperate position to justify his course.

Mr. PARSONS. Will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. PARSONS. The gentleman is reminded of what happened to Greece and Rome in those days?

Mr. DOUGHTON. Yes; I am reminded. And I am reminded of a quotation from the Bible which applies exactly in a case like that: "Woe to that nation which is built upon blood or established upon iniquity." [Applause.]

If we walk in their footsteps or if we pattern after their example, then their woes will be our heritage.

Mr. MOUSER. Will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. MOUSER. There is not anything in any statement that Thomas Jefferson made that was in favor of a sales tax. Is that not the fact?

Mr. DOUGHTON. Oh, no. When driven to desperation, he cited Thomas Jefferson. Of course, Shakespeare said that Satan could cite scripture to prove his contention. There is always justification for every wrong act.

Mr. SCHAFER. Will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. SCHAFER. How much was the total revenue raised in Canada per year under the sales-tax provision?

Mr. DOUGHTON. I think about \$70,000,000, perhaps.

Mr. SCHAFER. Was not a great percentage of that raised by a tax on distilled and fermented beverages?

Mr. DOUGHTON. If the gentleman will meet me on the top of the Washington Monument on Christmas night, I will discuss that question with him. [Laughter and applause.]

I have before me a copy of the Canadian sales tax, and, my friends, the Canadian sales tax is not any more like the sales-tax provision of the present bill than night is like day. The Canadian sales tax is nothing more than a tax on luxuries, while there are seven closely printed pages of exemptions, and practically everything which could be classed as a necessity is exempt. Let me read to you a few of the exemptions:

Brick of all kinds, for building houses and churches; castings of iron and steel; chains; coils; chain links; milking machines; cultivators; plows; farm implements; mowing machines; spring and dusting machines; hay loaders; incubators for hatching eggs; scythes; sickles; threshing machines; separators; mowing machines; windmills; portable engines; equipment for generating electric power; machinery and apparatus used exclusively for washing and treating coal; well-digging machinery; machinery appliances of iron and steel, made in America; articles exclusively used in metallurgy; machines made exclusively for handling ore; ore crushers; diamond drills; coal-cutting machines; pumps; vacuum pumps; machinery for sawing lumber; all sawmills; logging machinery; blocks and tackles.

Also all foods and food products.

Practically everything you would class as a necessity is exempt.

Mr. RANKIN. Will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. RANKIN. At the time this Canadian sales tax was passed, the people of Canada were not groaning under the burden of a high protective tariff as the American people are now?

Mr. DOUGHTON. Of course not; and they did not have such a large percentage of the rich who were trying to escape the just burdens of taxation and shifting them to the shoulders of those not able to bear them.

Under this bill the farmer with no market for his products, or none equivalent to cost of production, will be forced to pay this sales tax on all of his farm implements, farm machinery, farm tools, on the furniture, bedclothing in his home, the cookstove upon which his meals are prepared, the cradle in which his baby is rocked, and on hundreds of articles he must purchase too numerous to mention. The laboring man who works for a daily wage, when he can find a job, will find this tax assessed against him in practically every purchase he makes. In fact, those least able to bear this tax will be afflicted with it from the cradle to the grave. It begins with the cloth in which the infant is wrapped when it comes into the world, it attaches to the milk bottle and toys of the babe in the crib, and does not end with the coffin and shroud, but clings to the tomb of the dead. At every turn of life's pathway the invisible tax collector will demand and receive his "pound of flesh."

This being true, it is not surprising that the farm organizations of the country, without exception, are denouncing and condemning this proposed sales tax and that the American Federation of Labor is also up in arms against it. The cunning sophistry of the proponents of this bill does not deceive or mislead them, but its advocates endeavor to sugar-coat it and get it down the throats of the American people by claiming it is only a temporary measure; but, my colleagues, I warn you now as to the dangers connected with this departure from our traditional American policy of taxation. If this policy is once approved, I predict it will never be discontinued. It was stated on the floor of this House on Saturday last by the gentleman from Pennsylvania [Mr. WARSON], of the Ways and Means Committee, and one who helped prepare this bill, that if the principle of the sales tax is adopted it will never be repealed. This statement threw consternation into the camp of the proponents of this bill, but it was the truth, and I commend the gentleman from Pennsylvania [Mr. WARSON] for his candor and frankness; that is the great danger of ever establishing this vicious policy. The large income-tax payers, with all their facilities for propaganda through the subsidized press, paid magazine writers, ability to employ the ablest talent in the country to lobby around Washington, will undoubtedly be sufficiently potential to prevent the repeal of this legislation once it is enacted.

Now is the time, and the only time, in the interest of the American people to kill it; and I predict now that the sales-tax provision of this bill will never become a law. If we do not kill it in this House, we will mortally wound it and send it on to the other body bleeding and staggering, where it will be killed so dead and buried so deep, it will never be resurrected.

Another effort made by the proponents of this sales-tax legislation to soften the blow and deceive the people is the claim that it will not be passed on to nor paid by the ultimate consumer, but that it will be absorbed by the manufacturer or retailer. The truth is, however, in most cases it will be paid by the consumer and may at the same time be passed back to the producer of the raw material and collected out of him, thus doubling the tax. Monopoly will certainly be able to pass it on and also to pass it back. The small manufacturers, most of whom are now running at a loss, will, if they continue to operate, be forced to collect it out of their operatives in the way of reduced wages. Competition in some cases may compel the retailer to absorb the tax; but that will also be harsh and unjust, as

he is now struggling for existence. This tax will certainly be paid, and by those who are least able to protect and help themselves. It will bear with pitiless severity and merciless cruelty upon the poor, the weak, the humble, and lowly of mankind.

The gentleman from Oregon [Mr. HAWLEY], former chairman of the Ways and Means Committee, now ranking Republican on that committee, in his speech on this bill made the extravagant prophecy that, if this bill is enacted into law, that prosperity will immediately be restored, and stated we would at once cross the Red Sea into the "Promised Land." In this statement the gentleman from Oregon [Mr. HAWLEY] is running true to Republican form.

We were told for many years that all that was necessary to guarantee prosperity was to keep the Republican Party in power and adopt its policies. Positive assurance was given that if the Smoot-Hawley bill were enacted, we would be panic or depression proof. We were told that if the Hoover farm-relief measure, creating a Federal Farm Board, were adopted, the farmer would be brought up to the level of industry and that he would be made permanently prosperous. Instead of agriculture being brought up, industry has been brought down into the valley and shadow of economic death with agriculture.

They promised bread and gave a stone; promised a fish and gave us a serpent; and having defaulted on every promise they had made, they now promise the "Promised Land." Well, they certainly have qualified us all in one way. We are all experiencing great tribulations.

In conclusion may I say I am just as jealous of the honor and credit of our country as anyone and willing to vote all taxes necessary to preserve and protect its credit. Our difference is one only as to best method of accomplishing this end; but I am sure, notwithstanding our differences and disagreements, the highest aim and most fervent desire of every Member of this body is that our Government may continue in the future, as in the past, to exalt truth, righteousness, and justice, and that it may be a shining example to all the erring nations of the earth, until the final consummation of all material things.

Mr. HAWLEY. Mr. Chairman, I yield 10 minutes to the gentleman from Michigan [Mr. WOLCOTT].

Mr. WOLCOTT. Mr. Chairman, to say the least, it is somewhat embarrassing for me, a neophyte in this House, to follow as worthy a man as the gentleman from North Carolina. I hope, however, to make up in the spirit and sincerity of my remarks what they may lack in quality.

We in Michigan are a patriotic people. We like to feel that we are taking our part in the Nation's business. We like to feel that we are assuming our part of the national responsibility, and I think in this case the delegation from Michigan, at least speaking for myself, are proud that we are Members of a Congress which has shown the fortitude, which has shown the courage that this Congress has in presenting its legislation. It takes courage for a man to come from a State which pays into the Federal Treasury four dollars for every two dollars it takes out and speak in behalf of this bill. It takes courage, my friends, to speak in behalf of any tax bill, for that matter. It takes courage, perhaps, for me, neophyte that I am, as I have said, to come down here in my first session of Congress and vote to levy a tax on my district of something like \$510,000, but I hope the time shall never come when I put my district or myself before my country, and I know that my people do not expect me to do so. [Applause.]

I am not particularly interested, and I do not think the people of my district or the people of this country are particularly interested in which party is to blame for this condition or whether any party is to blame for this condition. I do not believe the people of our home districts are interested whether this is a Democratic measure or a Republican measure. They are interested in the solution of the problem, and I think it behooves all of us to forget politics for a few days, to put aside the bickerings and the banterings of partisanship, and sit down as a unified Congress and work out the destinies of this Nation. Never

before in the history of this Nation has there been such a need for harmony in Congress as there is at the present time with respect to this particular bill. [Applause.]

I dislike to vote for any bill which is going to tax my people and your people. There is a saving grace, however, to this bill which I have not heard called to your attention as yet. I have one county in my district which is particularly hard hit. It is a county in the southern part of the district which borders on the great county of Wayne, in which is located the city of Detroit. The people in this county are factory workers and office workers and proprietors of small businesses, dependent largely upon the automobile industry for their very existence. These people are home owners or are buying homes on our Michigan plan of purchasing under contract. I looked the other day in my home-town paper, and the list of tax sales in that paper covers a section which resembles the magazine-feature section of a Sunday paper. Thousands and millions of dollars, if you please, of property is being sold next month for taxes. Now, you say to me, how do you expect this sales-tax bill to benefit that situation or to relieve that situation, and this thought comes to me.

These people are losing this property because they can not pay the taxes. Now, why can not they pay the taxes? It is because the tax rate in the State of Michigan, as it is in all States of the Union against real estate, is exceptionally high. It is because the burden of taxation is largely carried on real estate.

I am fundamentally opposed to a sales tax, not the theory of it—I have not studied the merits of it and I am willing to bow to the experts on the Ways and Means Committee that it is a desirable form of tax to meet the present emergency. I believe a great many of them are in doubt as to whether this is the ideal form of permanent taxation, but I take the attitude that if there is going to be a permanent sales tax, it should be left to the States to levy that sales tax against real estate in lieu of the real-estate tax; and the only redeeming feature in this bill that I see, and the one which will cause me to vote for it, is that it will automatically cease to exist at the end of the fiscal year 1933. It is an emergency tax and must be considered solely as such.

Mr. JOHNSON of Washington. Will the gentleman yield?

Mr. WOLCOTT. Yes.

Mr. JOHNSON of Washington. I want to suggest that the gentleman did not mean to say "desirable," but rather to use the word "necessary."

Mr. WOLCOTT. I did, yes; thank you.

Now, I can see other ways and means of raising taxes. I can not see any more logical or sounder way of raising them during this emergency than that provided in this bill.

I have criticized, in my ignorance possibly, the fact that this Congress and the great Secretary of the Treasury found it necessary to include in the yearly Budget the sum of \$426,489,000 which you gentlemen a few years ago provided he should include to retire the national debt. I have been told that during the years 1923 to 1929 we overpaid that obligation about \$3,000,000,000, and I said:

Now, why can we not take advantage of that payment. If I am buying my house on contract and I pay a year in advance and then can not meet my obligation for the current month, I am not worried, because I am still 11 months ahead on my obligation.

So I thought, of course, the Government was that much ahead on its obligation and that we were \$3,000,000,000 in the black when we started, and even with a Treasury deficit of \$2,000,000,000 we would still be \$1,000,000,000 in the black; but the fallacy of this soon came to me, because I found that we would have to balance the Budget as we went along if we were to maintain the integrity and stability of our national credit.

This brings me back to the proposition of this real-estate tax. In the county of Macomb there are outstanding to-day \$5,000,000 worth of drain bonds. I had hoped and prayed that the Glenn-Smith bill would reach the floor of this House and be passed many days before this to relieve that

situation. In your wisdom you have found it should not be brought onto the floor of the House, and, because I am a neophyte, I bow to your seniority and say that maybe you are right. The only thing which saved that county from financial ruin was the decision of the Supreme Court of Michigan which recently set aside those bond issues and held that they did not have to pay it because the bonds are illegal. Assuming that condition existed and continued, the people of Macomb County would have to issue \$5,000,000 worth of bonds to refund that bonded indebtedness; and how would they raise it? They would have to sell bonds on the open market.

Certain gentlemen in this House have advocated a bond issue as a means of paying off this deficit.

Now, I am not a banker, and I have not studied finance except to try to keep my own bank account balanced, and that has been hard enough, I can assure you, but I know, as a fundamental principle of bond salesmanship, that you can not sell municipal bonds, State bonds, county bonds, city and township bonds for any greater amount than you can sell Government bonds, and I know that in Macomb County to-day, because of the statement of the gentleman from Illinois [Mr. RAINEY] in his remarks this afternoon, in which he said that a great many of the United States Government bonds are selling to-day for 85, the treasurer of Macomb County or any other county in the United States could not sell its bonds for any greater amount; and what I am emphasizing is simply this. If we do not balance this Budget, the people of your district and my district will find themselves in the position in which Macomb County would have found itself had it been obliged to refund its bonds, in that they would have had \$750,000 additional obligations added to their budget which they could raise only by further levies against real estate, much of which I have already shown is being sold for taxes.

[Here the gavel fell.]

Mr. HAWLEY. Mr. Chairman, I yield the gentleman from Michigan five additional minutes.

Mr. WOLCOTT. Mr. Chairman, coming in here a new Member as I did, I have purposely taken no part in the deliberations on the floor, because I did not think I would have very much to offer. It is easy to criticize, it is easy to stand up here and talk against a sales tax, but it takes courage to vote for it, and I hope we have that courage. [Applause.] It perhaps did not take any courage for any of you worthy gentlemen who have been in Congress a great many years to create the obligations which we must now retire; it did not take much courage to vote for the appropriations for the Wilson Dam, the Roosevelt Dam, the Coolidge Dam, and the Hoover Dam, which have for their purpose the irrigation of arid lands in the West. It would take courage, possibly, for you to vote an equal amount for the drainage of the Midwest States, 20 per cent of which is under water.

We did not object to creating the obligation, because we were in favor of it at that time and thought that these appropriations, in benefiting the great States of Colorado, California, and Nevada, would materially increase the wealth of the Nation and would increase the wealth of the State of Michigan. I did not object to it until I found that the last appropriation would open up 2,000,000 acres of tillable land which will be, when under cultivation, in direct competition with every other acre of tillable land in the United States, including the rich lands of my district.

And while we are talking about deficits let us give some attention to the surplus of agricultural products caused by these investments. [Applause.]

I have taken the attitude that we should not vote one more cent for irrigation and reclamation until we have drained some of the property of the Midwest States, the owners of which already have a fixed investment. We are willing to go along with you, because the debt has been created and it has ceased to be a question of why you did it; it is now a question of whether this great country of ours is going to maintain its high standard of credit.

If my child contracts a fever I do not say to myself, "I know where he got it—he ought not to have gone out and wet his feet." He has a fever and the thing for me to do is to call in the doctor. The condition exists no matter what caused it. The doctor in this case is this sales tax.

Mr. SMITH of Idaho. Will the gentleman yield?

Mr. WOLCOTT. Yes.

Mr. SMITH of Idaho. I call to the attention of the gentleman from Michigan that when he states that 2,000,000 more acres under the Hoover Dam may be brought in direct competition with agricultural tillable land, that he is mistaken, as not more than 560,000 acres of additional land can be supplied with water for irrigation from the storage at Hoover Dam. Congress will not be asked to appropriate money to bring the water to this additional land until agriculture is again placed on a prosperous basis.

Mr. WOLCOTT. Well, I may be wrong in my figures. My authority, I thought, was authentic; but regardless of whether they are right or wrong, the principle is the same.

Mr. JOHNSON of Washington. Will the gentleman yield?

Mr. WOLCOTT. Yes.

Mr. JOHNSON of Washington. The gentleman's point is clear. When the people had large incomes, Congress took notice of the situation and provided for Boulder Dam and appropriated for the reclaiming of the Mississippi Valley by the construction of levees. That was when the income tax law seemed adequate. When money is coming in it is an easy way to raise money, but when incomes decrease there is not enough.

Mr. WOLCOTT. We know that if we advocate the drainage of the Midwest States we have got to get money with which to do it. We know that if we are to carry on these works we have got to have the money to do it. Taxation in some form is the only way governments have of raising money.

Mr. SCHAFER. Will the gentleman yield?

Mr. WOLCOTT. I yield.

Mr. SCHAFER. I want to call the gentleman's attention that there is another proposition, where a \$483,000,000 Treasury deficit was created, because the Secretary of the Treasury said that the tax on licensed beverages for consumption in 1919 amounted to over \$483,000,000.

[Here the gavel fell.]

Mr. HILL of Washington. Mr. Chairman, I yield 10 minutes to the gentleman from Arkansas [Mr. RAGON].

Mr. RAGON. Mr. Chairman, I rise to-night more to make a conciliatory statement than to make an argument. Unfortunately I was called from the proceedings of the committee at the time the consideration of the sales tax began. We have had several weeks of hearings and had set ourselves to the task of drafting this bill. We had completed the rates on the income, inheritance, and corporation taxes, and then two subcommittees were appointed, one upon the administrative features of the bill and the other upon the question of the sales tax. We who were on the subcommittee on administrative features soon completed our work.

The men on the subcommittee on the sales tax were, of course, required to do much work through a long period of time. I have never yet seen a committee approach a subject with more concern than these men did. That was my experience when I was associated with the committee, and I know it to be true after I left the committee. Whether we like it or not, we might just as well face the issue in this session of Congress that we have a Budget to balance. I do not care what the argument of any man is upon the floor of this House—and I have listened to them all for the instruction they have given me—if we are in any measure to restore prosperity, if we are to bring back normalcy in this country at an early date, the most potent thing we can do is to immediately balance the Budget of the United States Government. Oh, I know it is an easy thing to set up a printing press and start printing paper money. I know it is an easy thing to float bonds and sell them, if you do not care anything about the price they bring or the price to which they descend, but what is true in an individual busi-

ness is true in the Nation's business. You can not, either technically or practically, bring your expenses and your income to a balance by continually giving promissory notes or extending bond issues. Let us forget our passions, let us forget our prejudices, and look at this situation squarely in the face. As Members of the Seventy-second Congress, irrespective of party affiliations, we know that if we are to serve our country as the proper kind of Representatives of a great and God-fearing people, we have to do the business thing and balance the Budget of the United States Government. [Applause.] Talk about voting taxes! Oh, I detest the job, and so do you.

My good friend from Illinois [Mr. RAINEY], together with other men I see on the floor of this House, at one time in this Chamber faced the solemn duty of calling from the humble homes of this country the best blood and bone and sinew, sending them to a foreign land in order to fight a foe and fight for friends they had never heard of or dreamed of before. That was a solemn vote. That was a nasty vote, politically speaking, for a man to cast, and an eminent man stepped down from that high position as Speaker and walked into the well of this House and faced his President of the United States and refused to do it. It is a bad thing to have to call the boys of this country to arms. We had those votes, but did any man hesitate? Some of them did, but the great majority of this House rose and said, "We will pass those war acts which will be beneficial to this country." Voting taxes on anything or anybody is a hard job, but I am saying to you as one who has not taken any part in this argument up to this moment because of my own immature consideration of the bill that you may as well face the issue as it is, because you are going to vote them whether you like it or not. I am not trying to force anything down your throats, but if you do not like certain features of this bill you can eliminate them and send us back to the committee room, but whenever you send us back there, remember that you send us back there with instructions to bring in a bill here that will increase the taxes of the taxpayers of the United States, because we have to raise revenue.

There are two ways in which to balance a budget. Let us all use our common horse sense. Whenever a business man or an individual finds at the end of the year that he is running at an expense that he can not keep up financially, what does he do? He usually sits down with the members of his family and says:

In order to balance our family budget we have to do one of two things or we have to do a little of both; we have to either increase our income or reduce our expenses, or we have to bring up our income a little bit and reduce our expenses a little bit.

Let us look at the first part. There are members of the Appropriations Committee here who can check me up if I am wrong, but, as I remember it, the expense of this Government for the fiscal year ending June 30 of this year will be over \$5,000,000,000. Twenty-five per cent of that amount is expended upon public officials and the offices of public employees in this country. I have just recently returned from a trip that burrowed about 1,200 miles into the interior of this country. On that trip I had two or three men mention the tax question to me. I had one man who said that he favored the kind of tax that we have here, but he did not want a general sales tax, and the others said they would try to bear it the best they could. But I had 25 men say that the expenses of this Government were so stupendous that it was up to us here to cut down and pare to the bone our governmental expenses.

I have heard a lot of blowing on both sides of the aisle and from members of the Committee on Appropriations about reductions that have been made there and prospective reductions of \$150,000,000. That is not a drop in the bucket. It took our side of the House two or three hours the other day to almost wipe out that entire reduction by the passage of the \$132,000,000 road bill that we knew did not have any more chance of becoming a law than had a crippled grasshopper in a pen of hungry turkeys. [Laughter and applause.] Now, if that is not reducing the expenses of this

Government with a vengeance I do not know what I am talking about.

[Here the gavel fell.]

Mr. HILL of Washington. Mr. Chairman, I yield to the gentleman from Arkansas 10 additional minutes.

Mr. RAGON. I have every confidence in the world in the special committee that has recently been appointed to look into the reduction of expenditures in this Government. That committee, as I understand, will come in with some kind of a report or bill next week. I know it is going to be interesting to watch the vote of some of the Members upon the report or the bill which that committee will introduce, because if I am correctly informed, it is going to cut clear down to the bone.

Now, that is one of the ways of meeting the Budget of this country. Instead of our having done anything to contribute toward balancing the Budget along this line up to this good hour, we have on the contrary, my friends, increased the cost of Government in this present House for the fiscal year ending in 1932.

Mr. Chairman, I say that you can not excite the interest of business men in this country until you give them confidence that this Government is on a stable financial plane, and whenever they are assured that the affairs of our Government are stable and we will not go off of the gold standard, then we will have that confidence; we will recapture that confidence that has been the basis of the prosperity we have had for the last few years.

Recently I was in Arkansas and I had a conversation with a gentleman there who stated to me that in his town, a prosperous little city, there was a bank with over a half million dollars in its vaults and that the merchants in that town and the influential farmers of that community were suffering, and that the men who owed the merchants in that community were being pressed by the merchants because they did not pay their bills. I asked him to what did he attribute this. He said there had been over a hundred bank failures in that State, and that the reason of those bank failures in the other cities and towns was that the people were in a frenzy of nervousness and that this bank had to retain this money which it would otherwise throw into the channels of commerce in order to meet any prospective run. So what did it all amount to? It amounted to a lack of confidence upon the part of the bank, in its ability to procure aid in a crisis from larger banks, and the situation was further complicated by a lack of confidence by the people of that community in the strength of that bank, and as a result of this the Federal reserve banking system in that particular area or district must suffer thereby. When the entire Federal reserve system is nervous by reason of these conditions, its stabilizer must be a full Treasury. I say to you it becomes our duty as Representatives of a great people to do something that will stimulate confidence in the financial system of our country.

We have provided in this bill an income tax which I think is the highest that has ever been initiated in this country in peace time. I think the inheritance tax goes as high as we could possibly expect it to go. I think we are getting very close to the point in income taxes where we will experience a diminishing of returns. Then we go to the corporation tax. If you will get the records and see the number of corporations that have suspended business this year I doubt seriously that you would subject the Ways and Means Committee to criticism for increasing this from 12 to 13 per cent, as we do in this bill. Then we come down to the various excise taxes that are inserted for the first time in this bill. I do not want to discuss them, because I am trying to eliminate everything to come to one point. I say to you frankly I have heard Members from different sections get up and discuss one of these excise proposals. My friends, you are after revenue. I do not care whether you call something a tariff or a tax; if we are driving for one point for common good, what difference does it make which road we take, just so we get there?

Then we come lastly to the bone of contention in this particular bill, and I will make it as brief as I can, because I do not want to trespass upon the time. I say to you frankly if you are going to balance this Budget and do justice to American industries—and I am measuring my words—you will never do it save and except through the instrumentality of a manufacturers' excise tax.

I am sorry I can not go as far as the committee has gone. I will be frank with you there. I think we could have more or less restricted the scope of this taxation or the base of it. Frankly, when we come to consider the bill under the 5-minute rule I propose to do that on certain articles and on certain phases of the bill. But I am so impressed with the importance of balancing the Budget that I say, "Forego any prejudice you may have for or against the sales tax and look the situation squarely in the face and let us cut out what we think would have a bad psychological effect upon the country and keep in those things that are worth while." Then if the volume of the tax returns is not great enough, let the committee come back under their rules and get the rest of these taxes.

You may want me to be specific, and I can be. I think that certain things, like cheap clothing, might be added to the exemption. I can not get the consent of my mind—and I say this with all due respect to everybody—to place a tax upon the clothes of the man who is looking for a job—on his shoes and on his socks. Do not get too much consolation out of that statement, because I do not think the tax would amount to much. It is not the money taken away from him that I am complaining about, but I say to you, my friends, that the finest spirit that was ever manifested beneath the bending dome of God's heaven has been manifested in the United States during the last 10 months. [Applause.]

During that time there have been 7,000,000 men destitute of employment. They have had hanging onto the ragged edges of their clothing helpless women and children, crying for something to eat, yet we have not had a single uprising in this country that amounted to the snap of your finger.

I say to you, I am like Brother Andrew Brown. I believe a whole lot in what he calls "psyrology." I think the worst psychology that could go forth in this country is the fact that the American Congress has put upon these unemployed people a tax in their destitution. I say the same thing about food, but that has been largely eliminated. If they take out the item of lard and one or two other things, it will help the bill.

Then there is one other thing, and I will not enumerate any more. That is the question of admissions. My friends, do you know there are 25,000 theaters in this country? Do you know that to-night over 5,000 of them are dark and that practically 20 per cent of them are closed? Yet a bill is brought in which will put a tax upon those admissions of less than 50 cents. I think if that hits anybody in this country, it hits the man of average means. This should be remedied.

[Here the gavel fell.]

Mr. HILL of Washington. Mr. Chairman, I yield the gentleman two additional minutes.

Mr. RAGON. Now, gentlemen, if I were called upon to do so, I could specify many items which would fill the gap that might be made by the elimination of the items to which I have referred. I could fill that gap with three items, and every one of them ought to be incorporated in this bill. I have particular reference to the tax on stock sales and transfers.

I am not a demagogue. I am not running around here hollering to tax somebody, but if there is anybody on God's green earth who is able to pay a tax it is the fellow who goes on the New York Stock Exchange. I say to you that if you will charge him one-fourth of 1 per cent you will treble the amount of tax you will get under this bill. [Applause.] If you want to cover short-sellings, if you will make it one-half of 1 per cent, you will get \$150,000,000, and that will more than cover the elimination of the items I

have referred to, such as cheaper clothing, shoes, socks, and so on. There are other items. If you want to go farther, eliminate consolidated and affiliated returns that are incorporated in this bill, and you will get \$60,000,000.

They are just two items. I could name a half dozen more, but I am simply calling your attention to these things.

Men, aside from all that, eliminate, if you want to, these small features I have mentioned and you will still retain the main crux of your manufacturers' excise tax, and that, to my notion, has got to be resorted to if we are to properly balance the Budget by 1933.

So to-night my only appeal to you is this: Lay aside your prejudices. Somebody has said it is surrendering a principle. Many of you men voted to send American boys to foreign fields to fight and maybe to die for their country. In doing that many of you voted against your principles, but the emergency which existed at that time called for such action. So I say to you, in this dire emergency of our country, as much as I might dislike the sales tax or manufacturers' excise tax, I will certainly lay down that principle for the safety and the security of this great Government which is my security for a peaceful place in this civilization of the world. [Applause.]

Mr. HAWLEY. Mr. Chairman, I yield 10 minutes to the gentleman from Oklahoma [Mr. DISNEY].

Mr. DISNEY. Mr. Chairman, in the first place, I want to address myself to the Member who is asking himself the question: "What effect will an affirmative vote for the oil-import tax have upon the consumers of my district?" We proponents of the oil-import tax recognize that proposition at the outset, and recognize the difficulties, real or apparent, that are involved to the Member in determining his vote. The danger is more apparent than real.

There is an authoritative way to ascertain the facts upon almost any subject, and there is an authentic answer to this question.

The hearings before the Ways and Means Committee developed the fact that in 52 representative cities in 1926, when crude oil was \$2.04 per barrel, the average price in these 52 representative cities was 18.04 cents per gallon; and when the average price of crude had made a horizontal descent of 84 cents a barrel to \$1.02 per barrel, a survey of the same 52 representative cities, which included cities like Newark, N. J.; Roanoke, Va.; Springfield, Mass.; Salt Lake City; Mobile; New Orleans; Portland, Oreg.; and others, showed that the price of gasoline not only had not depreciated as a result of the terrific loss the producers of crude had taken of 84 cents a barrel, not only that it had not depreciated, but that the average was 18.39 cents per gallon, or a general rise of 0.20 cent per gallon.

You all know that you have paid 35 cents a quart for lubricating oil ever since you bought your first automobile, whether crude oil was 10 cents a barrel or \$3.50 a barrel.

One of the witnesses in behalf of the oil-import tax was asked the direct question by a member of the Ways and Means Committee at the hearing, "What will be the effect upon the consumers of refined-oil products in the United States if we put a tax or embargo on these imports?" and every member of the committee sat up and took notice, because it was of interest to him in determining how he should cast his vote. The witness first gave the illustration of the 52 cities that I have just described, and then he added that the members of the committee were all familiar with the fact that the market price of wheat did not perceptibly change the price of a loaf of bread, which, like a gallon of gasoline, is the yardstick of estimate to the consumer, was practically the same price per loaf when wheat was 25 to 50 cents in the Middle West and on the general market as it was when wheat was \$3 a bushel.

So let us not be dismayed at the possibility of the effect upon the consumer of gasoline by the gallon. We say it will not adversely affect him to any appreciable extent, but rather let us look to the more far-reaching effect of giving the big monopolists whose enormous profits have been made from imports a strangle hold not only upon the oil industry first, but later upon the oil consumers. Let them complete

their monopoly by destruction of the independent oil men, and then you will pay through the nose, and the consumers of gasoline in your district will pay through the nose likewise.

We people of the Middle West from the oil States want buying power. Give us buying power and we will buy the products of New England. We are good spenders—we have been charged with being profligate spenders in our prosperous days. Let me remind New England that when the oil business was prosperous we bought goods from New England at their own prices, plus the protection put upon them by the tariff laws that they so zealously advocated. Obviously, we can not have any buying power when oil sold in 1931, when the glut of South American imports was coming in full blast, at 5 and 10 cents a barrel. The speaker sold oil all during the summer of 1931 at 19 cents a barrel. And statements from all authoritative sources are to the effect that oil can not be produced for less than \$1 a barrel, and no one even attempts to deny that. The average price now is 77 cents a barrel. How can we have buying power to buy the goods of New England, the backbone of the opposition to this import tax if we are producing our oil at a loss? Does the opposition of New England mean that it does not want the vast market that flows from the prosperity of 22,000,000 people of the United States? Obviously not. Even as uncertain a debater as the distinguished gentleman from Massachusetts [Mr. MARTIN], who at length on the floor of this House echoed the monopolists, the price fixers, the false propagandists, would not answer in the affirmative.

You may argue that business in New England is stagnated. We answer that business in the oil States is paralyzed and bankrupt. Would you continue to keep dormant, and finally to destroy, this great market for your goods by echoing the false propaganda sent out by the selfishness of the great importers? Surely the gentlemen have not provided themselves with the facts but have been merely "yes men" for the falsities promulgated by those who are making 50, 60, 154, and 400 per cent annual net profits, as are the big importers that are trying to stifle the independents.

The gist of this whole situation is stated by the gentleman from Massachusetts, Mr. TREADWAY. Unlike his colleague, Mr. MARTIN of Massachusetts, and Mr. NELSON of Maine, who did not see fit to provide themselves with the facts with reference to this matter, but who rather echo the false propaganda of the monopolists, Mr. TREADWAY listened intently to every word on this subject that fell from the lips of the witnesses on both sides before the Ways and Means Committee, and after hearing all the facts he was convinced against his first impression, and in the RECORD, in his statesmanlike speech on the subject, he said that the claims that the additional cost to the eastern coast would run as high as \$100,000,000 are ridiculous and can not be borne out by any authoritative evidence that was submitted to this House.

Assuming, however, that the entire additional tax of 42 cents per barrel is added to our fuel bill, this is not out of proportion to the additional possibilities of sale of our industrial products to the section of the country which is asking for this help. If that section of the country can come into our market with its fuel oil, payment can be made in our products, and we ourselves would be the direct beneficiaries in the employment of labor for our home industries.

This is the difference between men who inform themselves and those who not only do not inform themselves but permit themselves to become the channels for misinformation. I leave it to the fair-minded Members of the House as to who is the safer counselor and guide.

We have answered in every conceivable manner the argument that the effect upon the consumer would be adverse. We have answered the arguments of New England, not only with the facts but with the language of one of its longest experienced and ablest Members. One piece of false, obviously deceitful propaganda was echoed on the floor by Mr. MARTIN of Massachusetts, and possibly it would be wise to show its falsity and fallacy. He stated that the Rockefeller interests have a large quantity of stored petroleum and that the effect of this legislation would be to put money in the pockets of the Standard Oil. If this legislation is for the

benefit of Standard Oil, why is every vulture of propaganda that can be employed by Standard Oil directed against it?

Why were Pan American, Standard of New Jersey, Gulf, and all the cutthroat monopolists ably represented by the Ways and Means Committee? Why are they circulating hired emissaries among the farmers to circularize Congress with so-called farmer's letters in opposition? Why should the Oil Trust store oil in the United States when it is making at least 75 cents a barrel on every barrel that it imports? The suggestion answers itself. They are using their own sins and bad reputation as propaganda in favor of the greedy monopoly that they are so loath to give up. There is much storage oil in this country; much of it stored at the price of \$3.50 a barrel is still awaiting a market, and the market is 77 cents per barrel. [Applause.]

Mr. HAWLEY. Mr. Chairman, I yield seven minutes to the gentleman from Kansas [Mr. GUYER].

Mr. GUYER. Mr. Chairman and members of the committee, I am gratified that the gentleman from Oklahoma [Mr. DISNEY] has so lucidly discussed the relation of this tax bill to the oil industry; an industry which, under usual circumstances and in normal times, employs directly and indirectly, about a million men; an industry which occupies one of the most important positions in our economic fabric. While, in my opinion, this measure does not place a sufficient tax on imported petroleum and petroleum products, it does put a tax on them which will not only raise revenue but will at the same time save a great industry from the ruinous competition of imported petroleum and its derivatives.

The proposed bill before us, section 601 (d) (4), reads:

Crude petroleum, fuel oil derived from petroleum, gas oil derived from petroleum, and gasoline, imported into the United States, 1 cent a gallon.

This provision is one of the principal reasons why I expect to support this bill. I do it in the hope that it will aid in rehabilitating an industry whose former prosperity and magnitude have, in this time of crisis, prevented a correct and adequate understanding of its prostrate condition.

The petroleum industry has heroically endeavored by protraction and curtailment to solve its own problems. Every move of this kind has been met by vast and increasing importations which have nullified these attempts of the industry to protect itself. Finding its difficulties could not be solved by its own efforts it appealed to Congress to place a tariff on imports of oil and oil products. Again it was denied relief, and now as a last resort it pleads with us to impose this excise tax on imports of petroleum and its products to save one of our greatest industries from further disaster, and at the same time set in motion the wheels of industry over the great Southwest where this industry is the lifeblood of business, the principal employer of labor, and one of the most important purchasers of supplies which come from every avenue of trade.

I do not approve of everything in this bill, and probably every Member of this House can honestly say the same thing; but if we wait until we get a bill here that will suit everyone, and particularly a tax bill, so far as such legislation is concerned we might as well adjourn. Uncle Joe Cannon once said about tax bills:

Everybody is willing in tax measures to take the boil off his own nose and annex it to the other fellow's nose.

That is a homely but most intelligible statement of the classic and historic gesture of "passing the buck." "After you, my dear Alphonse." We are all perfectly willing to "let George do it." It is mighty easy to vote against a tax bill, but often it requires courage of a high degree to vote for one. It is also easy to vote for a staggering appropriation that drains the Treasury, but it requires courage to do the patriotic thing—to cut appropriations for the sake of the public credit. Sacrifices must be made by all alike not only to raise revenue to wipe out the deficit but to lower the burden of taxation by economy in appropriations, by the abolition and consolidation of bureaus and commissions, and by the reduction of the salaries of Federal officials.

In 1925, in speaking against the increase of salaries of Members of Congress, I said:

The increase in the cost of Government, Federal, State, and municipal, has shamed the prophecy of the pessimist. At the present time the cost of our Federal Government for one year exceeds the entire cost of the Federal Government from 1790 to 1861. The increase in the cost of government, State and municipal, have been alike prodigious.

The farmer, the business man, and the laborer have taken big cuts in their incomes and wages, and it is no injustice to ask Federal officers and employees to likewise take a reduction. All alike must bear their burden to balance the Budget and buttress the public credit. Its impairment would be a national tragedy. A century and a half ago Washington and his incomparable advisers, Hamilton and Jefferson, established the public credit, and, though it has been often strained and shaken, it has never fallen. If we are to uphold the ideas and ideals of those three superlatively great and patriotic statesmen, we, like the people of that day, must be willing to pay the price that falls to our several lots.

I am sure that 75 per cent of the Members of this House become poorer every year they stay here, but I would not so reflect upon the moral integrity of the membership as to suggest that it is here enduring the strain of the duties of the office for the money there is in it. I have a higher conception of their characters and of the patriotic impulses that inspire the actions of men whom I see breaking daily under the tension of this nerve-racking service to their country. But we, too, must set a high example of personal consistency by reducing our own salaries to help reduce the cost of government and the sooner balance the Budget and likewise the sooner remove the necessity for this extraordinary system of taxation in this national emergency. In doing it we should forget, even on the eve of a presidential election, our political alignments and join with those of opposite political faith to compass this imperative national objective—the balancing of the Budget.

In doing this we have illustrious examples: One day, near the launching of our Government under the Constitution, Alexander Hamilton met Thomas Jefferson in front of President Washington's residence in New York. Hamilton, as Secretary of the Treasury, told Jefferson in his eloquent manner that the very existence of the Union depended upon the national assumption of the debts of the States and of those contracted by the Continental Congress in the prosecution of the Revolution. Hamilton knew that no country was any stronger than its public credit. He explained to Jefferson that the country had no credit and no money, and that to establish the credit it was necessary to pay the country's debts—in other words, to balance the Budget. Jefferson invited Colonel Hamilton to dinner the next evening and had for his other guests two Congressmen from Virginia. There the whole question of the establishment of the public credit was thoroughly discussed. Later, these two Congressmen furnished the votes necessary to pass in this House the bill for the assumption of the Revolutionary debt. Long afterward Daniel Webster, referring to Hamilton, exclaimed:

He touched the dead corpse of public credit and it sprang to its feet; he smote the rock of national resources and abundant streams of revenue burst forth.

Alexander Hamilton and Thomas Jefferson represented diametrically opposite views upon fundamental ideas of politics and government, but they set us a worthy example of setting aside for the moment, in a great national crisis, their own personal political antagonisms in order to consummate a great public benefaction. Of course, it has been said that the two Congressmen from Virginia were somewhat influenced by the location of the Capital here on the Potomac, but I would be the last to suggest that anyone here in this House in this good day could be influenced by concessions to his particular section or industry.

Here, too, we find a noble example in the action of these two patriotic Virginians who knew that the planters and farmers of Virginia would ask why they saddled upon their

backs the burden of helping to pay the debts of Connecticut and of Rhode Island when Virginia had the debts she contracted practically all paid. Jefferson himself had to defend himself on this same score. He astutely blamed most of the fault on Colonel Hamilton, who might have misled him. A politician must not be blamed too much for seeking a good alibi.

And we have followed the illustrious example of the noble men of our pioneer age. Never, since I came to this House, have I observed finer cooperation between the two political parties and their leaders than is displayed in these efforts to restore our country to a better day.

There is a fine spirit of fairness and a tendency toward teamwork among the people of both parties, too. We must not expect too much of those who are purely political promoters of party triumph, particularly on the eve of a great political contest such as that of 1932 is destined to be. Some, no doubt, in both parties have not failed to sound a warning note lest the esprit de corps of political activity be lulled to sleep, but the great mass of the people are not so much interested in party welfare as they are in the welfare of their country.

A fine example of fairness and liberality is so finely expressed by one of my constituents in an editorial that I ask your indulgence while I read it into the RECORD. The author is former Gov. George H. Hodges, of Olathe. Olathe is one of those fine old towns with a rich pioneer history, situated, as it is, at the juncture of the old Oregon and Santa Fe Trails, the two most historic and romantic trails that ever mapped the frontiers of the earth. Olathe was the home of John P. St. John, who made Kansas dry.

Governor Hodges made the Democratic Party in Kansas dry. Both were man-sized jobs, but their work stuck. Governor Hodges was the Democratic Governor of Kansas from 1913 to 1915. He was, like St. John, one of the greatest governors Kansas ever had. Everyone who knows him honors him for his intellectual and moral integrity. He preaches honesty even in politics and he practices what he preaches. In an editorial appearing in the Johnson County Democrat of March 10, 1932, under the interrogatory, "Why blame the President?" He says:

The official scolders of the National Democratic Party in the East have lathered themselves into a white heat notwithstanding this bitter winter weather. They iterate and reiterate the tremendous waste of the Hoover administration and the glaring deficiency of more than a billion and a half dollars in 1931. This rough stuff sent out through various papers and magazines is not in accord with the genuine facts that the public should be aware of, if they do not already know the facts.

The tremendous deficit of a billion and a half dollars should not be charged to Mr. Hoover and the Republican Party alone, for had it not been for the Democrats voting with the Republicans, both in the Senate and in the House, there probably would not have been this tremendous deficit. Read the recorded vote on appropriations and you will find that had the Democrats not voted with the Republicans the deficit would have probably been the normal deficit that all administrations incur.

Go back to the administration of President Coolidge. Notwithstanding that almost every State in the Union bonded itself to help its soldiers, a tremendous majority of the Democrats in Congress voted with the Republicans and passed the soldiers' bonus bill over Coolidge's veto.

When the soldiers' bonus loan bill was up in Congress during 1931 the leading Democrats in both the Senate and the House threw all their force into the fight along with some of the Republicans and voted for the bill which has taken out of the United States Treasury practically a billion dollars in the last year. President Hoover vetoed that bill. The original bill provided that the soldiers should receive a certain percentage yearly as compensation and these payments were to become due each year for 20 years. President Hoover vetoed the bonus loan bill and it was passed over his head with the usual majority. Do not charge that much of the deficit up to Mr. Hoover, for whether the bill was right or wrong, the Democratic voters in Congress made it possible.

The fact is that a majority of these Congressmen and Senators can't stand on their own feet politically, and as an election is coming on they overrode Hoover's veto for the purpose of ingratiating themselves in the favor of the World War veterans, for all of them expect to run for the Senate and the House again.

The United States is going through difficulties and disaster that older countries have already gone through since the World War. The Democrats, Progressives, and Socialists are a part of this country, and if both in the Senate and the House they had not voted with the Republicans this deficit would not have been piled high on the taxpayers' shoulders at this time.

The public debt to-day is practically \$16,000,000,000 plus almost \$2,000,000,000 deficit in 1931, and 30 per cent of that debt was for World War compensations and pensions. The Government, for the service of men and women in the World War, has already paid them \$5,722,202,959.46. In the one year of 1930 the United States spent \$511,718,778 for the benefit of the veterans of the World War, and we wish to emphasize that Democrats voted for these bills and helped to make this deficit, so why charge it up to the Republicans alone when we Democrats as a party made it possible ourselves?

There were 2,400,000 United States soldiers in France and 1,000,000 of them never saw a battle. The Government had in training 5,000,000 soldiers. Half stayed in the United States and half went over, and the compensation of those who stayed in the United States is the same compensation that the veterans received who had seen service in France.

The Government owes it, and can not do too much for the war veteran whose health and efficiency were impaired in the service, whether in camp or on the battle front.

All members of civilian organizations of men and women whose services contributed to the winning of the World War are deserving of the same consideration and should have had compensation if for any reason their health was permanently impaired.

It might be well at this time to remind our Democratic Party managers that our Congressmen and Senators voted for practically all the expenditures that they now complain about, as follows:

| | |
|--|---------------|
| Drought relief..... | \$45,000,000 |
| Public roads in 1930..... | 125,000,000 |
| Farm Board..... | 500,000,000 |
| Soldiers' loan bill (about)..... | 1,000,000,000 |
| Farm relief, Mississippi River flood, crop failures, new post offices, etc., 1930..... | 700,000,000 |
| Post office deficit is daily..... | 100,000 |

To these add millions wasted in river improvements.

The total Government expense in 1931 was \$5,178,000,000, and practically 65 per cent of the Democratic Senators and Congressmen voted for these bills. Why charge them all to Hoover when the Democrats furnished the balance of the votes to put them over?

Let us not forget, also, that when the Farm Board bill was up the Democrats were very strong for it, and didn't their votes contribute to a half billion dollar bet on an economic venture doomed to failure in advance?

This eminently fair and perfectly true statement demonstrates that the deficit is not the child of any one political party. Both parties fathered it and now to be square, both parties must join to support their joint progeny. It comes from my good Democratic friend, one of the outstanding political and business leaders of Kansas, and in this spirit of fairness and patriotic cooperation I come as a Republican joining the Democratic Speaker, that incomparable statesman and patriot, the gentleman from Georgia [Mr. CRISP], acting chairman of the Ways and Means Committee, and the gentleman from my native State of Illinois [Mr. RAINEY] in supporting this temporary measure in the belief that its passage will balance the Budget and justify our faith in the greatness of our people and our country.

As Washington, Jefferson, and Hamilton, three of the greatest men who ever lived in one age, joined their might to establish the credit of the United States let us, following their example, unite to preserve it unimpaired.

Mr. DOUGHTON. Mr. Chairman, I yield to the gentleman from Arkansas [Mr. FULLER].

Mr. FULLER. Mr. Chairman, I have no criticism of the able members of the Ways and Means Committee, who have worked so hard to prepare this tax bill to balance the Budget. No doubt this bill does not entirely meet with their approval but is reported as a nonpartisan compromise measure. I know the gifted statesman, our distinguished Speaker, our able and seasoned floor leader, and most of the great Democratic members of this committee have always been, and are at heart now, opposed to this manufacturers' sales-tax provision.

They disdain to call this illegitimate sales tax a Democratic measure. Certainly no Republican will ever attempt to place it on our doorstep simply because a few Democrats lent first aid to extricate us from the financial debacle brought about by Republican rule.

If some of those leaders in the discharge of their duty, by compromise or otherwise, feel they should assume the responsibility of balancing the Budget by supporting this sales tax, then, in my opinion, that is a matter between

them and their constituency, since they accord us the same privilege.

Mr. Chairman, the manufacturers' sales-tax provision of this bill is contrary to every principle of Jeffersonian democracy. It is a direct tax upon the necessities of life and, once enacted into law, will be continued. A sales tax was advocated in 1921 by Senator Smoot and Andrew Mellon, then the spokesmen of the Republican Party. Shortly before Congress convened this same Mr. Andrew Mellon declared for a sales tax, and since his resignation his assistant, Mr. Ogden Mills, who has been promoted to Secretary of the Treasury, has also strenuously insisted upon a sales tax. It has the approval of President Hoover and his satellites. Wall Street and the big moneyed interests of this country and the metropolitan newspapers, owned and controlled by them, are demanding the enactment of this law. A few Democrats who have forgotten the lifetime principles of democracy are contending it is not a sales tax.

The only difference between the two laws is that a sales tax is collected by the retail merchant, while a manufacturers' tax is paid by the manufacturer when the articles are sold, but in both instances the tax is passed on to the consumer. It is the same elephant, but of a different color; in addition to being branded with G. O. P., as it should be, we discover that it is a white elephant accompanied by a few Democrat acrobats. Instead of requiring those who are most able financially to carry the burden of government, it seeks to make the middle and poor classes pay upon the necessities of life. To say a part of this tax will be absorbed and paid by the manufacturer and not passed on to the consumer is stretching the truth to the limit. The consumer will not only have to pay all of the tax, but the retailer will add on some for his trouble, which will also be passed to the consumer.

A manufacturers' tax sounds better to the poor consumer than a retail sales tax. Regardless of the name, it is dangerous medicine, although it is claimed that it will be tasteless, and that the payment of the tax will be painless. It has for its object the centralization of wealth and power into the hands of a few and the wiping out of the middle class and leaving only the exceedingly rich and the poor. It may be a painless tax, like the tariff, not seen or observed, but in this the American people are not going to be deceived. The difference between this tax and the tariff is that the tax collected from the tariff goes into the hands of the manufacturers and to enrich those engaged in industry, while the money coming in from the sales or manufacturers' tax goes into the Federal Treasury, but in doing so it relieves the tax that should be levied upon those who have unjustly accumulated the wealth of this country.

We are now met with the argument that we must be patriotic, nonpartisan—the same old argument used to promote unjust measures. Since when did the Republicans of Congress and a few Democratic Congressmen obtain the right to stand for the patriotism of the membership of this Congress? Such an argument is unworthy of the merits, if any, that this bill contains. We are now told that we must balance the Budget, which means that we must make our revenue equal to our expenditures. Who started this policy and battle cry? It comes from the President, the Republican organization, Wall Street, and its vigilant friend, Ogden Mills, Secretary of the Treasury. For the last three years the Budget has not been balanced; but now since the Democrats have control of this House by a scant majority of five, we must pass a tax on to the consuming public to take care of the deficit caused by the reckless and wild expenditures of the Republicans and this administration.

It is true that the American people demand that we shall not spend more than we collect; they are demanding that Congress shall not spend \$4,000,000,000 a year, but this public is not demanding that a tax should be placed upon the laborer and the poor class during this panic and depression. What the American people are demanding is a reduction rather than increase in taxes during this panic, the abolishment of overlapping and useless bureaus, and the weeding

out of at least 20 per cent of the number of employees. There is not another government in the world that has as many employees and public servants in proportion to the work they do as this country. These employees draw more salary, work shorter hours, and receive more benefit than those of any other nation in the world. After 30 years they are retired on a good pension, the Government contributing \$25,000,000 a year to keep up this retirement fund. While I know many perform wonderful service and work overtime, and while I am a friend to labor and willing to advance the welfare of these employees, at the same time I know that there are overlapping bureaus, useless positions, and many inefficient employees. A great saving in this Budget can be made in readjustment, consolidation, and abolishment of many of these Government bureaus. It is an insult to the intelligence of the American citizenship and a tragedy to pay officials of the Farm Board salaries from \$50,000 to \$75,000 a year, such as is being done under this administration. Under present conditions it is a hard task for this Democratic House, the Senate and every other branch of Government being controlled by Republicans. This information should be known to the executives and heads of these departments, but not being in control it is next to impossible at present for us to obtain the best information.

For 1931 there is a deficit of over \$900,000,000, which is mostly due to the shortsightedness of the Republican administration by reducing the income tax in 1930. In 1932 we are told the deficit will be \$2,100,000,000, but as a matter of fact it will be more unless we curb our expenditures. For the fiscal year ending June 30, 1933, we are told the deficit will be \$1,200,000,000 and that we should make it up by this measure and particularly that portion of this measure which carries a manufacturers' tax of \$600,000,000 upon the consuming public. No such deficit would exist had not the administration through its Secretary of the Treasury returned to the rich and big corporations over \$3,000,000,000 from 1922 to 1930 in refunds, credits, and abatements for incomes and inheritance taxes already paid to the Government. I realize that the Budget should be balanced and that we should not spend more than we receive, but I am not in favor of collecting most of this deficit from 95 per cent of this Nation to the great benefit of the 5 per cent rich. If we are unable to save enough to pay all of our expenditures in 1933, why not pass some of it on by a bond issue to be redeemed when we have cut down expenses and when the income would justify it? At the request of President Hoover and against my protest this Congress gave a moratorium to Europe of \$252,000,000 and passed it into the deficit to be taken care of by a bond issue. Congress has given a moratorium to the bankers, the railroads, insurance companies, and big corporations of this Nation of \$500,000,000, with a possibility of \$1,500,000,000 more, and it has given the Federal land banks a moratorium of \$125,000,000, all of these appropriations being placed in a bond issue. Why not a moratorium to the 8,000,000 unemployed who represent 40,000,000 and to the other great mass of American people?

We hear it said that if we put any more bonds on the market it will kill the credit of this Government. Such an argument comes in poor grace in view of what this Congress has done at the request of President Hoover for big business. Such an argument is not justified by the facts. When the \$900,000,000 of bonds were offered the other day at 3¼ per cent interest, to take care of the deficit of 1931, it was three times oversubscribed. The wealthy are eager to buy these bonds, as they are exempt from taxation. The only reason that Government bonds have been selling below par is due to this panic and the facts that bonds and stocks can be bought upon the market that will pay an income of 10 per cent and 15 per cent. If Government bonds are not good, then our currency is not good, and nothing else in this country is of value.

We are told if we do not accept this manufacturers' tax that another tax will be forced upon us to take its place. We welcome such procedure, even though it is meant as a threat. A substantial portion, if not all, of the income from

the so-called manufacturers' tax can be obtained from other sources where it will be more equitable.

A tax of one-half of 1 per cent upon transfers of stocks and bonds will bring in almost \$200,000,000. It should be at least 1 per cent, and bring in twice the amount. This would mean if I bought \$1,000 of stocks upon the stock exchange I would be required to pay \$5 Federal tax. If there are any in the world who ought to be required to help pay for the upkeep of the Government it is those engaged in the sale and transfer of stocks and bonds; their business is mostly legalized gambling. This panic is to a great extent due to the manipulation of the stock exchanges whereby the unsuspecting and uninformed people of the country have been skinned out of their eyeteeth by the sale of inflated and worthless stocks and bonds.

Twenty-five million dollars can be collected from cosmetics, and this luxury should be required to bear its burden of government.

A tax of \$1 upon \$1,000 of the capital stock of corporations of this Nation will bring in \$100,000,000, and it will not be a burden nor an unjust or unreasonable fee.

I believe that everyone who makes an income-tax return should be required to pay something, at least \$10 for a service charge, as it takes just as much time and costs the Government just as much money to examine one of these reports as it does where a tax is paid. Certainly this should apply to Government employees.

Most married men who earn \$4,000 a year pay nothing to the Government. When you take out \$2,500 exemption and \$400 for each dependent, and the other expenses incident to the earning of this money, there is nothing left upon which to pay a tax.

It should be the policy of this Government to make those who are able bear the burdens of this Government, instead of levying a tax upon those who are making a bare living, many of them suffering for the necessities of life, and those who are unable to pay any tax. Forty million dollars can be realized from this item.

Fifty-eight million dollars can be collected by a one-sixth increase of the tax on chewing and smoking tobacco.

Radio advertising is one of the highest-priced and one of the greatest businesses in this country, and it is done by agencies controlled and regulated by the Government, and a tax of 5 per cent of the gross receipts for advertising would bring in from five to ten million dollars.

The deficit in the Post Office Department is not caused by first-class mail but through the handling of magazines, catalogues, and so forth, carrying expensive advertising. This portion of the mail should be made to save millions of the deficit.

Stop the unjust practice of the Treasury Department of granting refunds on paid income taxes. Collect the just portion of the billion dollars past due on delinquent taxes, and with these suggested incomes the Budget will be balanced for 1933 and no bonds need be sold.

The enactment of this nefarious and unjust sales tax will meet with condemnation at the hands of the American public. It may be forced through Congress; but if it gets through the House, it will receive less than one-third of the Democratic membership and be enacted by Republican votes. The Democratic Party has always been against such a law; its traditional policy has been to collect its big tax from incomes and large estates. It was denounced by the national Democratic platform in 1924, and it is contrary to every principle for which we stand. If we can not get other means of revenue and can not take care of this deficit by sale of short-term bonds, then I say we ought to cut salaries, starting in with the Congressmen and going all the way down from top to bottom. My opposition is not due to personal political fear, which some proponents say actuates the opposition, but I do fear for my party, even though its enactment would only be for the purpose of collecting revenue to take care of a Republican deficit. I never want to see the day when it can be said that I was a Member of the Congress that placed a tax upon the hat, suit, underwear,

shoes, stockings, and possibly the mittens of the orphan newsboy.

I never want to meet a laborer who makes his living by the honest sweat of his brow, is a good citizen, loves his country, and strives to give the best to his wife and children and have him point his finger at me and say, "You have placed a tax upon these jumpers that I wear and upon all the clothing of myself and family, upon the furniture and everything that is in our home, including the absolute necessities of life."

I never want a farmer to say, "You have placed a wartime tax upon us in time of peace," although he may know it was to cover a Republican deficit. What will he say and how will he act when he realizes farm implements are not exempt from this tax? In 1916 he could buy three plow points for a dollar, which to-day cost him 75 cents each. Practically all farm implements and machinery are manufactured and the price fixed by a monopoly, the greatest parasite ever known, which demands and collects twice the price of 1916. The financial panic has not reduced the price, and now an additional tax is sought against this same farmer, who is despondent and desperate, facing bankruptcy, and unable to sell his products for the cost of production.

A tariff tax upon the coffins in which we bury our dead and upon the swaddling clothes of a newborn babe has always been repulsive to me, and now I am asked to vote for a measure that is as bad, if not worse, than the tariff. The Democrats of the House have denounced the Hawley-Smoot tariff, and truthfully proclaimed that it was the cause of much of this depression and the loss of our foreign trade. This bill contains an infamous tax of 2½ per cent in addition to the tariff upon imports into this country, notwithstanding the fact that in retaliation foreign countries have boycotted our commerce and enacted retaliatory tariff walls against American products, which has caused hundreds of American industries to move into Canada and into other foreign nations.

A modification of the manufacturers' tax by elimination of a few of the necessities of life is not going to satisfy the American public. In my opinion, with the small majority that we have in the House and with the Senate and the President opposed to us, we are not going to be able to pass any measure at this session consolidating and abolishing the overlapping bureaus. If we are unsuccessful after an honest effort and there is still a deficit, then the American people will elect men to administer the affairs of the Federal Government who are in favor of economy and really balancing the Federal Budget. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield the remainder of my time to the gentleman from Alabama [Mr. ALLGOOD].

The CHAIRMAN. The gentleman from Alabama is recognized for 12 minutes.

Mr. ALLGOOD. Mr. Chairman and gentlemen of the House, we have been debating for several days the most important and far-reaching tax feature that has ever come before the American Congress, and I feel highly honored to have been given the place by our opposition forces to close debate on this bill. I believe that the United States of America, considering the age of the Nation, is one of the worst tax-ridden nations of the world. I make that as an opening statement.

I believe the people of the United States feel that way about it. They tell us that this is an emergency measure. Congress told the people of the United States that same story after the Civil War, when they passed the first tariff measure. They said it was an emergency measure to raise revenue to pay for the war. And yet we see to-day that the tariff tax is still with us. It is not only a measure for revenue in this Nation but it becomes a measure to give to monopolies and trusts the advantage so that there may grow up in this Nation certain classes who control and own the greater share of the wealth of the country. This condition is the outgrowth of the tariff tax.

When the extra session of Congress was called for farm relief in 1929, we saw enacted by a Republican Congress the

highest tariff ever enacted by any session of Congress. We saw, then, that the other countries of the world resented the passage of that tariff law, with the result that our foreign trade has fallen off from 1929 to 1931, \$2,759,900,000.

We realize that we still have a high Budget, a great expense of government, and not sufficient revenues to meet it.

I am in favor of balancing the Budget. There is only one just way to balance our Budget. That way is not by raising taxes but by reducing expenditures. Do you know what will happen if we raise this additional billion dollars? It will result in Congress coming along and spending a billion dollars additional in appropriations. That will be the result of it. The logical and sensible thing to do is to cut the appropriation bills to the bone and cut down the expenses of this Government.

There is not a single appropriation bill that comes up here but everyone knows is rotten to the core and that we can cut it down. If they were expense bills of individual corporations, or if you and I were responsible for the paying of these measures individually, we would reduce them, and you know that we would do it. I can name endless appropriations that have been made by this Congress since I have been here that ought not to have been made. Take the enlargement of the Capitol Grounds. Take the building of this memorial bridge across the Potomac at the enormous cost of \$15,000,000, with six bridges already across this river here in Washington. Take the \$23,000,000 for the highway up to Washington's tomb. This makes \$47,000,000 on these two appropriations alone, which were absolutely not needed. Some one has figured out that this road will cost the taxpayers of this Nation \$1,000 an inch for the construction of it. Such wasteful and extravagant appropriations are responsible for the deficit in the Treasury and are responsible for Congress standing in such a discredited position before the people of the Nation. Yet here we are wanting to raise additional taxes. I say, reduce appropriations. The funded debt of this Nation and of the towns and cities and State governments is approximately \$150,000,000,000, and the interest and retiring fund on this is about \$13,000,000,000 each year. The direct tax that the people of this Nation paid last year was about \$12,000,000,000. This total of \$13,000,000,000 of interest added to the \$12,000,000,000 of taxes makes an annual debt of \$25,000,000,000 that the people of this Nation have to pay. Let us do a little arithmetic. Divide this among 120,000,000 people, the population of the United States, and what does it amount to? It means that for every man, woman, and child in the United States there is a tax burden of \$200 each year; and yet the gross income of the cotton farmers in the South was only \$200 per family in 1931.

I saw this Congress in 1926 reduce the income taxes. I voted against it. I see other Members here who voted against it. There was great prosperity from 1926 to 1929. The speculators, traders, and manipulators made millions and millions of dollars. If these income taxes had not been reduced during these prosperous years we would not now have a \$2,000,000,000 deficit.

Mr. RANKIN. Mr. Chairman, will the gentleman yield?

Mr. ALLGOOD. I gladly yield to the chairman of the Veterans' Committee of the House, who is leading the fight against this tax measure.

Mr. RANKIN. The gentleman says that the income of the average cotton farmer is \$200 a year.

Mr. ALLGOOD. Two hundred dollars last year.

Mr. RANKIN. The sales tax in this bill will impose an average burden of \$25 a family, and that would be a great deal higher tax in proportion to their income than we are levying on these large estimates or on large incomes if we adopt the suggestion made by the gentleman from Maryland [Mr. Lewis] a while ago.

Mr. ALLGOOD. My good friend has brought out a splendid point, and I will speak in regard to inheritance taxes. This nation collects \$48,000,000 in inheritance taxes. England collects \$400,000,000 inheritance taxes annually. We have 120,000,000 people and England has 70,000,000 people. Our national wealth in the United States is four times the

national wealth of England, and yet we collect from these great estates only \$48,000,000. If our rates on inheritance taxes were as high as that of England these millionaire estates would pay into our Treasury \$700,000,000 instead of \$48,000,000 annually.

Mr. RANKIN. I ought to have called attention also to the fact that these farmers have to pay their ad valorem taxes and their school taxes and all other expenses out of that meager income.

Mr. ALLGOOD. Absolutely; and I regret to say that in my State hundreds upon hundreds of people are having their property sold because they can not pay these exorbitant taxes.

Mr. RANKIN. After paying these taxes they have no net income left at all.

Mr. ALLGOOD. That is a fact; and yet, with our people already burdened and with millions of people in this country who have practically no net income, this Congress proposes to tax them further with these indirect taxes that will be passed on to them so that they will have to pay them.

We were talking about the cotton farmer. I hold in my hand a product of the cotton farmer. It is a handkerchief that cost 10 cents. It takes 20 of them to weigh 1 pound. One pound of cotton made into 10-cent handkerchiefs sells to the public for \$2. For that pound of cotton the farmer gets 5 cents. The consumer pays \$2 for it. That shows the disparity between what the producer of the raw product receives and what the consumer must pay when he buys it.

Mr. RANKIN. That being the case, this sales tax on these handkerchiefs would be more than the farmer gets for the raw material.

Mr. ALLGOOD. Yes; and here we are, with the farmer already mortgaged, placing this additional burden on him. Forty-five per cent of the farms in my State are mortgaged, and they can not meet their mortgages. There are more farms and homes of people living in the small cities being sold for taxes than ever before, and yet Congress comes along and proposes to tax these people with a sales tax, which is entirely unjust and uncalled for.

Mr. Chairman, when in the world is Congress going to stop increasing taxes? Twenty-five years ago the people of this Nation were shocked out of their senses that a Congress in that day cost them a billion dollars, but to-day this Congress is costing our people \$4,000,000,000 per year. I tell you, gentlemen, in the name of justice and common decency, this thing must stop or else our beloved Nation and Government will be ruined on the rocks of bankruptcy and dissolution. It is my purpose to serve notice now on this House and President Hoover that I will never support this tax bill.

Years ago I was a tax official in my county. Numbers of times I have seen the farmers of that county pay over to the tax collector their last dollar. Later I was permitted to serve as a State official in my State, and I was shocked to see the waste and extravagance in State Government. Out of every dollar made in the United States to-day more than 20 cents of it has to go to pay taxes. Twenty years ago the Legislature of Alabama spent \$5,000,000 of the peoples' taxes per year; to-day the legislature of the same State spends, or allows to be spent, over \$15,000,000 annually. All governments should reduce expenses and taxes rather than increase them. While State government costs have risen in expenses three-fold in the last 20 years, our National Government has gone well over four-fold, or become four times as expensive. What is the cause? I tell you it is useless bureaus, useless commissions, wasteful and extravagant appropriations. I am opposed to a continuation of this system, and I will fight it so long as I am permitted to represent an Alabama district at this National Capitol. [Applause.]

Mr. RAGON. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to.

Accordingly the committee rose; and the Speaker pro tempore, Mr. SANDLIN, having resumed the chair, Mr. WARREN,

Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill H. R. 10236, the revenue bill for 1932, and had come to no resolution thereon.

EXTENSION OF REMARKS—REVENUE ACT OF 1932

Mr. FREAR. Mr. Speaker, day before yesterday a letter to my colleagues gave citations to speeches in 1921 and 1922 against the sales tax then before Congress. Yesterday I was stopped by a colleague on the way to the Capitol, who said he had gone to the Congressional Library and examined the RECORD of those dates—and, more remarkably, had read the speeches—with profit. I inserted remarks including extracts from speech of December 22, 1931, bearing directly on the sales tax and including data on the Canadian sales tax proposals then before Congress.

Yesterday I listened to a splendid talk by Representative DAVIS, of Tennessee, against the sales tax, delivered before a handful of Members, and before the close of the session, only 20 Members—equally divided politically—were on the floor. I have seen Senators orating to empty benches on different occasions, so believe speeches and physical strength can be saved by "remarks" that carry the same information.

The sales tax bills before Congress in 1921 and 1922 carried estimates of a billion dollars. The bill before us has a \$600,000,000 sales-tax item; and, although reported unanimously by 25 members of the Ways and Means Committee, second to none in Congress in ability and power, I feel certain that the \$600,000,000 sales-tax item, composing 60 per cent of revenues proposed to be raised, will be stricken from the bill, possibly by the House but, if not, by the Senate.

Mr. Speaker, I listened to the able presentation of a sales-tax argument by the distinguished Democratic leader to-day, a personal friend and colleague of many years' standing. I would be the last to seek to answer him or any other member of the committee.

I do venture to suggest that men of great wealth—and Mr. Hurley is, I understand, in the highest brackets—will one and all be relieved from income taxes when the sales tax is substituted for an income tax that is proposed by Mr. Kahn, Mr. Hearst, Mr. Bache, and scores of others whose names in many cases appear in these remarks with their efforts to substitute a sales tax for an income tax.

No criticism is found in that course, excepting full publicity should be given of motives that may properly lie with those who would be ready to shift the taxes onto the shoulders of the consumer by a consumption tax.

The arguments here offered against the bill may not be persuasive so as materially to affect the result, but the opinions of expert tax authorities quoted of organizations in Canada and this country opposed to a consumption tax are unanswerable and should help strike from the bill the \$600,000,000 sales-tax item.

That is a result devoutly to be wished for by the vast multitude least able to pay, and I doubt if the President indorses this item, basing that opinion on his familiarity with taxation principles and strong common sense, not on any inside information so frequently voiced by others.

SALES TAX ISSUE THE SAME AS IN 1921

In 1921 the issue was the same. Then it seemed that the influence for the bill would be overwhelming, but we defeated it in the committee. Now, with slight hearings and less publicity, the committee unanimously reports a \$600,000,000 consumption tax in the revenue bill. Let me express appreciation for the valuable work of my colleague, Representative LA GUARDIA, whose opposition in general debate is forceful, convincing, and logical. Also, in answer to charges that Congress and Members generally have been silent on extravagance, let me say, when the flood control bill, in the Seventieth Congress, passed the Senate with two hours' debate, carrying an estimated billion and one-half dollars for a widespread reservoir system covering condemnation of many millions of acres for flooding purposes and extravagant plans, I was then a member of the House Flood Control Committee.

Representative LA GUARDIA was called to aid and for four days we exposed the Senate flood control bill acting on the advice of Chief of Engineers Jadwin and after conference with President Coolidge. On a vote that assured sustaining of a presidential veto, the President compelled a compromise measure finally agreed to at \$318,000,000 and a saving of over a billion dollars in that one bill by action of the House and President.

Six hundred million dollars in revenue can be raised by suggestions that I will hereafter offer, I trust without presumption, for any revenue bill should be properly balanced and not drafted on the floor by amendments. That is a proper function of the committee; but in its surprising recommendation of a consumption tax, I fear a flood of protests from interests proposed to be taxed caused the committee to return to the iniquitous sales tax because no organization had yet appeared specifically against that tax. I submit substitute revenues can be found to balance the Budget, but if not easily available the Government is not going hay wire nor bankrupt because of that fact.

BALANCING OF BUDGET DESIRABLE BUT NOT IMPERATIVE

Short-term securities until the present world-wide slump is relieved will, if necessary, meet the situation, and I say this with full knowledge of its threatened effect. I am somewhat familiar with Treasury pronouncements, mistakes, and sales-tax recommendations in the past. They are not to be taken literally in every case, as they have been frequently disproved, but I am equally in favor of balancing of the Federal Budget. I suggest some measures that may have been considered but, if so, should be reconsidered in preference to a sales tax which taxes the necessities of every consumer in the land through increased prices.

Let the Budget be balanced, not by a sales tax but by some of the following proposals: A gift tax may well be started, not at 1½ per cent but at 10 per cent, which would reach a large percentage of gifts and should reach to 30 per cent maximum on large estates. Even if a maximum that will graduate a return of at least 20 per cent would not be excessive. By raising the estate tax with smaller exemptions up to 40 per cent on large estates, if need be, and repealing the entire 80 per cent State credit to the States, a tax still less than that of England might be held to meet Budget requirements. By taxing cars and trucks, imported oil—now free entry—a larger tax on stock and bond transfers, on bank checks, and, if need be, on cigarettes and on innumerable items, though protested, will be more equitable and just than a "sales" tax or "consumption" tax or "spending" tax which in its blood-sucking-leech effect reduces the income of every consumer in the land by adding the tax indirectly to the price ordinarily collected from necessities he must buy for himself and family.

This subject, as stated, has been with Congress before and, without professing any expert knowledge of the tax, I submit extracts from several prized tributes that are not claimed to have been deserved although the speakers and writers believed so, apparently.

Senator La Follette in Senate debate, RECORD, page 7371, November 5, 1921:

Mr. President, the (1921) sales tax was practically defeated over in the House, largely under the leadership of a Member of Congress from Wisconsin, Representative FREAR.

Of course, I did not merit especial credit for a result in which all helped, but another word from 1921 is offered because of the great organization represented then and now against the tax. From Hon. Edward Keating (editor Labor, 2,000,000 circulation):

MY DEAR MR. FREAR: You are entitled to practically all the glory for defeat of the sales tax * * *.

And from an editorial in that paper of August 23, 1924:

More than any other man he was responsible for the defeat of the Mellon (sales) tax plan and for the adoption of a substitute which lightened the burdens of 3,000,000 taxpayers.

Similar words from President Howard, of the American Farm Bureau Federation; Secretary Charles A. Lyman, Na-

tional Board of Farm Organizations; Akerson, of the Grange; and others, indicate the character of organizations then marshaled against the iniquitous consumption tax then before Congress, and that evidence then submitted was practically undisputed by any student of taxation.

Although time is limited, like opposition is reasonably certain to be aroused against the \$600,000,000 sales tax contained in the pending bill. Not because of unfounded prejudice, but because every leading tax authority is opposed to the principle of taxing consumers on necessities they buy in order to relieve those best able to pay who are more strongly organized and hope to substitute a sales tax for income-tax rates.

WHERE REAL TAXES ARE PAID

Mr. Chairman, those who denounce the new tax bill because it makes a heavy dent in their income will not move to England or France or Germany to get tax relief. In the last-named countries they would pay the hated consumption tax that the Treasury is trying to unload onto the people for the second or third time, and in addition the Englishman pays several times as much for the privilege of living in the old mother country and far more than that in Germany.

From last night's Star I clipped a brief comparison which I have not checked with official records, but if approximately true, the American taxpayer will never get farther away from New York than the Statue of Liberty, excepting for a brief trip abroad to learn what a lucky fellow he is to live in the United States.

The article is so interesting and well worth studying when income-tax payers are wearing crêpe on both sleeves in these days of tax mourning that I insert it for your perusal. It reads as follows:

In the United States a married man with one dependent child and a net income of \$2,000 pays no Federal income tax now and would not pay any under the provisions of the new revenue bill in Congress.

A citizen of Germany, with the same income and dependents, pays a tax of \$215; an Italian pays \$218; a Frenchman, \$104; and an Englishman \$63.

More pronounced is the severity of European levies on the middle and high income classes. For example, the German with a net income of \$5,000 a year contributes \$989 to his Government in income tax alone. The loyal subject of King Emanuel digs up \$717; the Frenchman, \$104; and an Englishman, \$63.

The married American with one child and an income of \$5,000 under present regulations pays \$16.50 Federal income tax. If the new revenue bill is enacted as drawn he would pay \$29.50. In 1924 an American of the same status paid \$42.50.

The residents of 28 of the 48 States are now required to pay a State income tax in addition to the Federal levy. The State taxes, however, average considerably lower than the Federal. Consequently, a person with a \$5,000 income, living in a State which imposes an income tax, probably wouldn't pay a total of \$50. That would be only one-fourteenth of what an Englishman pays.

Particularly heavy are British levies on high incomes. A married man with one child and an income of \$10,000 in Great Britain pays \$1,800.

In the United States he now pays \$123. He paid \$204 in 1924 and would pay \$154 in 1933 under the new revenue bill.

The same man with an income of \$100,000 pays \$48,000 in Great Britain and \$16,245 in this country. In 1924 he paid \$22,000 and under the new bill he would pay about \$26,000.

This measure grants an exemption of \$1,000 to single men, \$2,500 to married men, and \$400 for each dependent. Great Britain's exemptions are \$485 for a single man; \$730 for a married man, \$245 for the first dependent child, and \$195 for each other child.

For Americans who "view with alarm" the projected boost in income taxes, Government financial experts cite the prospect of tax-rate reductions and increased exemptions such as have been made heretofore when the Treasury enjoyed a surplus.

NINETY-FIVE PER CENT OF FARMERS AND LABORERS DO NOT NOW PAY ANY FEDERAL TAX

It may be proper to say that while constant protests are received from agriculture, labor, and other individuals and organizations against existing Federal taxes which they believe they are called upon to pay, not 5 per cent of the farmers or laborers in the United States, due to a \$3,500 income exemption, now pay income taxes to the Federal Government, and that is the largest source of direct taxation.

Existing law provides an exemption of \$3,500 for a married couple, and the percentage of farmers and laborers receiving over that net amount of income is small. The

pending bill lowers the exempt net income to \$2,500 per couple. Estate taxes, largely reached in the higher brackets, gift taxes now proposed, and other existing Federal tax burdens, or those proposed, will not affect the average individual. Indirect taxes on a very limited proportion of goods imported, with small excise taxes on tobaccos and cigarettes, are paid by all; but heavy taxes borne by the average farmer and laborer living in cities come from local taxes for schools, streets, town, county, city, and State government, all of which directly or indirectly are paid by the residents of the State. Indirectly, when no property is owned by renters, the rental payment goes to cover taxes and other expenses of the owner.

A popular misconception exists as to where the Federal taxes are laid; and although the local resident pays far higher taxes in proportion to ability to pay than the average income-tax payer living in the cities, those taxes are local and the Government receives no return but, on the contrary, contributes toward highways and other State improvements that give employment and aid to labor within the State.

Mr. Speaker, I desire to express some additional views beyond what was stated in the RECORD of Friday, March 11, when on pages 5818 to 5836 I submitted unanswerable arguments offered by many of the ablest men and tax experts in the country against a sales tax when that same question was last before the House. In that statement (in Friday's RECORD, March 11) will be found opinions of men like Professor Seligman, of New York, known throughout the world as an international financial and tax expert; Arthur A. Ballantine, attorney, New York City, formerly solicitor of internal revenue, whose opinion you will find on page 5824, where he says:

I believe that this idea of a sales tax, a tax collected everywhere, falling on no one, is a will-o'-the-wisp which has floated over this field of taxation and which is in danger of luring business men who approach Congress in an effort to get really beneficial changes into futile action instead of constructive action.

I believe that this committee, by the very careful and exhaustive consideration which it has given to the advocates of this plan and its careful thought as to conclusions, has done much to dissipate this myth and to direct the efforts of businessmen into practical channels instead of down a pathway which leads to futility.

Another expert witness quoted was Charles A. Andrews, whose careful study of the subject on behalf of the national industrial conference board as a tax expert caused him to say—

We started in upon the assumption that we were going to work out something in the form of a sales tax. We invited various well-informed people to come before us. We reached out and got printed matter and manuscripts; we made investigations; and slowly but steadily the committee was driven to the inevitable conclusion that it, representing a large body of business men, could not bring before this conference a recommendation for any form of sales tax, except as the same related to a few specific articles, suggestions as to which we have made and which have been referred to by Mr. Armitage.

We haven't the nerve, as good citizens of the country—which we believe we are, and are trying to be—to say to a body of business men in this country, who are suggesting that business be relieved from a billion dollars of excess-profits tax, that we propose a tax which will cause the billion to be paid by the ultimate consumer. That is such a violent divergence from the principle of payment upon the basis of ability to pay that we can not ask this body of business men to get behind that sort of a tax.

Mr. H. C. McKenzie, New York tax expert for the American Farm Bureau Federation, said:

I want to take the opportunity to emphasize the farmer's objections to a general sales tax, which have been voiced by our president, Mr. Howard, and to call your attention to just two or three things briefly. * * *

Ninety per cent or 95 per cent of that tax will be paid out of the living wage, if the contention of the proponents of the sales tax is correct; and I want to say that the farmers who are represented in the American Farm Bureau Federation will never in the world stand for that proposition.

Mr. George P. Hampton, managing director of the Farmers' National Council, quoted on page 5825 of the RECORD of March 11, says:

A retail sales tax and other sales taxes and all similar taxes on food, clothing, and shelter, called consumption taxes, must be

paid chiefly by the workers on the farm, in factories, mines, and transportation, millions of whom are getting less than the minimum wage necessary to maintain a family on a decent American standard.

Mr. Speaker, presidents of farm organizations and of labor organizations, both in this country and in Canada, are quoted at length in that speech. These men, I submit, have a better understanding than those who have given the subject slight study or who may vote for this bill because it is reported by the Ways and Means Committee.

WHAT SALES-TAX WITNESSES WERE HEARD?

Let me call your attention to one significant fact. The Ways and Means Committee heard about 350 witnesses on the entire tax bill, as found in 1,230 pages of hearings. Of all those witnesses and all those pages of testimony, only 15 pages apparently were given to the only two witnesses who testified before the committee on the sales tax. This is significant, because while 60 per cent of the entire amount to be raised in the \$1,000,000,000 bill, or \$600,000,000, is to be covered by the sales tax, only two witnesses, as stated, were called to testify on the sales tax: Doctor Adams of my home State of Wisconsin, a man of exceptional ability, whom I have known for many years; and Mr. Alvord, formerly a clerk of the Ways and Means Committee, and afterwards an employee of the Treasury.

If 60 per cent of the entire bill, amounting to \$600,000,000, has been written into the bill with 15 pages of testimony before the committee by two witnesses out of 350 witnesses, it is well that we ascertain what those two witnesses have said in favor of any sales tax. On page 260 of the hearings I quote:

Mr. DOUGHTON. I believe you stated that you encountered very little criticism or opposition toward the sales tax in your investigation in Canada. To what extent did you discuss this matter with the consumers of the articles on which the sales tax is assessed?

Doctor ADAMS. I am very glad that you asked that question. I did not talk this question over with representatives of labor organizations or agricultural associations or, if there be any, of the consumer. I might have found a great deal of criticism there.

Mr. DOUGHTON. That is where the criticism would naturally be.

Doctor ADAMS. Yes; and that is a real defect in my inquiries. I did want to talk to them, but I did not have time.

Here is the principal witness on the sales tax who testified before the committee a few days ago, on page 260 of the hearings, that he did not talk to a single consumer who pays the tax during several days he was in Canada studying the tax. His study apparently was directed particularly to matters of administration and not to the merits or justification for the sales tax.

NO SALES TAX JUSTIFIED FOR ONLY TWO YEARS

Now listen to additional testimony by one of the ablest tax experts of the country, given a few days ago before the committee.

Doctor ADAMS. I have one definite conviction. Whether you should have a sales tax or not is a question for you gentlemen, largely a question of policy; but this, I think is a common-sense conclusion, that it is not worth your while to adopt a Canadian sales tax for a short period of time, because to put it over you ought to have an administrative machine so well built up and so large that you would not be justified in creating it for a temporary tax of two or three years. (P. 260, hearings.)

What did the committee do on page 250 of the committee bill? Here is the provision:

No sale or importation after June 30, 1934, shall be taxable under this bill.

In other words, that limitation was written into the bill with full expectation of continuing the tax in order to relieve the income tax, or else the committee disregarded the evidence of its only two witnesses who said Congress would not be justified to create a manufacturers' tax for a temporary tax of two or three years.

On page 262, Mr. CHINDELOM, of the committee, said:

Mr. CHINDELOM. Do you know of any other country which has a system similar to that in Canada?

Doctor ADAMS. No, sir; I do not. You know Austria has a system by which they attempt to eliminate pyramiding by varying the rate, but that is not the Canadian tax.

Here is the best expert that could be called by the committee who gives his testimony on the Canadian tax which we are asked to indorse. After a brief visit of several days he found a tax not similar to that of any other country, which he refused to pass on as a matter of policy, and ought not be taken over as a temporary tax of two or three years.

The committee would find itself out of court in a legal proceeding on that testimony of its chief witness.

Now comes the second witness, the only one aside from Doctor Adams who testifies in detail regarding this tax, formerly an employee of the committee and afterwards of the Treasury Department. Why he was sent to Canada and who sent him for four days to become an expert on the Canadian sales tax does not appear from the record, nor does he volunteer any expert testimony. On page 264:

Mr. ALDRICH. Mr. Alvord, have you any idea why the Canadians did not make a list of the articles which are taxed, rather than to set out a list of exemptions?

Mr. ALVORD. In reading the act I am inclined to say that a list of the articles taxed would not be so much larger than the list of articles exempt.

Mr. ALDRICH. That is a general manufacturers' tax in name only.

Mr. ALVORD. That is almost true; yet, sir, not quite, however. From the point of view of drafting a general law it is much easier to specify exemptions than inclusions.

This is the second expert's opinion of the Canadian law which he studied four days. Again, on the same page, he says:

Mr. ALVORD. I do not know whether Doctor Adams went into this or not, but I think he agrees with me—if you adopt a sales tax without having the elastic administrative machinery, I am afraid your sales tax would be practically inoperative.

Mr. TREADWAY. Do you mean by elasticity, the judgment of an official?

Mr. ALVORD. The basic principle of the administration of the Canadian sales tax, as I understand it, is that there, either as a matter of law or as a matter of fact, the administrative decision is final.

Again he says, on page 265:

Mr. ALVORD. If you are to consider the list of exemptions that the Canadian sales tax has, it means that you practically have got to write a tariff act. I have been through the 1922 act and the 1930 act, and you gentlemen have been through many others, I imagine that the pressure would be just about the same.

Again this second witness, with four days' experience in Canada, says, on page 266, and remember he was formerly a clerk of the committee, afterward an employee of the Treasury Department, and no one knows who sent him to Canada, so far as the record discloses:

Mr. ALVORD. I agree with Doctor Adams that as an emergency measure I think it would be subject to very serious consideration as to whether it would be worth while to interject the entire machinery for a short period of time.

Yet this bill proposes against the expert testimony of Doctor Adams and Mr. Alvord that it shall remain in force for only two years. Is anyone seeking to mislead Congress, and who drew that two years' limitation and why?

Again, on page 266, Mr. Alvord says in response to a question by Mr. CRISP:

Mr. CRISP. With the knowledge you have and as an American citizen, do you favor the levying of a general sales tax?

Mr. ALVORD. At the present time; no, sir.

Here seems to be the length, breadth, and scope of Mr. Alvord's opportunity to study the effect of the sales tax as shown on page 267:

Mr. ALVORD. We started in with the minister of finance, rather briefly. We then went to the commissioner of excises, who is a civil-service appointee and who has been in the service a long time, and he called in two of his assistants. They were the men who primarily had the job of administering the tax. We spent practically an entire day with them in going over their administration. I think those are the only persons we discussed the matter with in the administration. Then we spent the remaining three days of our visit up there discussing the matter with manufacturers, manufacturers' representatives, and with attorneys.

No inquiry among consumers. I will furnish that testimony on the 1921 law.

On such testimony the committee reported in favor of a \$600,000,000 sales tax, to exist no longer than to June 30,

1934, and this last provision was opposed by both of the experts called for advice.

The evidence of witnesses who accompanied the Hearst \$10,000 junket trip to Canada was inserted in the RECORD. Some of those witnesses were opposed to the sales tax, even on the statement of officials who alone were consulted. No consumers, apparently, had any voice at any time in the matter. The officials were discussing their duties, and naturally liked their jobs. I speak of this particularly, because in my speech of March 11 on pages 5822-5823 I discussed at length the Canadian sales tax and cited labor organizations and others at St. John, New Brunswick; Hamilton, Ontario; Toronto, Ottawa, and elsewhere, all vigorously opposed to the sales tax then in force.

A sales tax at 2½ per cent rate, not pyramided, to produce \$600,000,000 would amount to \$24,000,000,000 in purchases, but all these sales are expected to bring a profit to manufacturers, jobbers, wholesalers, and retailers. To take an extreme case, if a hundred per cent is added to the sales price, or 950 per cent to the tax, as quoted from committee hearings on page 5820 of the RECORD of March 11 last (testimony of ex-Senator Hardwick), it would double \$24,000,000,000 in purchases to \$48,000,000,000.

This would not ordinarily occur, but it is reasonably certain that the 2½ per cent with all these profits added would be increased to possibly 10 or 20 per cent before the ultimate consumer paid the bill, and that would be four to eight times the rate fixed by the committee, and would mean an added tax four to eight times the \$600,000,000 tax collected. Possibly \$2,000,000,000 and more additional would be paid by the ultimate consumer to bring to the Government \$600,000,000 in tax receipts as estimated by the committee. That tax has been reported to the House on the testimony of two witnesses, both of whom urged against enactment of any sales tax for the short period of two years.

Let me now quote from a speech made in the House February 21, 1922, when the bonus bill was up for consideration, and the Washington Times, one of the Hearst papers that now daily prints cartoons and arguments for the sales tax, declared of a letter I had written:

A bonus bill will pass the House, but if an open discussion is had it will contain a consumption tax.

That letter of 10 years ago was misquoted:

February 17, the Washington Times contained a single 2-line extract from that letter, quoting me as follows:

"A bonus bill will pass the House, but if an open discussion is had it will contain a consumption tax."

The letter squarely states if open discussion is had the bill will "not" contain a consumption tax, and with that exception the brief paragraph taken from a fairly long letter is correct, but I could have wished more of the letter had been quoted and that the two lines extracted had been rightly stated. Without other means of placing sales-tax facts before those interested, this is the only avenue of information available. Herewith I append the letter in full. It was written before the letter from the President had been received or made public, and I quote it because it discusses the merits of the proposed sales tax:

HOUSE OF REPRESENTATIVES,
Washington, D. C., February 16, 1922.

DEAR COLLEAGUE: The proposal to finance the soldiers' bill with a consumption tax means to tax the living wage of labor when the average man is receiving less than \$500 pre-war purchasing power per family, and it taxes the farmer, whose average annual earning is \$219 pre-war purchasing power, on all that his family consumes. In Canada it is estimated it increases cost of living from \$30 to \$50 per family, due to pyramiding of prices.

Clothing, shoes, food, gasoline, machinery, everything not specifically exempted, is increased in price from two to ten times the amount of tax according to Canadian experience. Sugar, 10 cents per pound there last month, was 6 cents here, according to official reports, and articles exempted this year are included next year. Every man, woman, and child, whether working or out of employment, pays the increased price through this 'painless sales tax.' Rockefeller and thousands of multimillionaires pay the same tax, while a half billion dollar tax means \$2,000,000,000 or \$3,000,000,000 added prices to those who consume. The Washington Times says, 'Wall Street welcomes it,' and as \$500,000,000 was recently exempted from excess profits, luxuries, and high surtaxes over the consumption, there is a reason.

All American farming and labor organizations are unanimous against the tax, and they represent 85 per cent of the consumption tax that will be paid, according to witnesses. A leading Republican Member from New York said to me not 10 Republican Mem-

bers from New York will be returned if we pass a general sales tax. A complete Waterloo occurred in Canada for the Conservatives, who repealed the excess-profits tax and enacted a general sales tax and a high tariff law. High prices were the issue.

No general sales tax law was ever enacted in this country in time of peace. No appropriation was ever before hung up with a special-tax tin can tied to it. It is a gold-brick tax to the soldier, who would help pay his own bonus whether he has a job or not. Not one witness for a sales tax came before the committee to favor it, although many appeared against it. A sales tax is opposed by practically every disinterested tax expert and by labor and agriculture here and in Canada, where it has been tried and repudiated at the polls. In the RECORD of January 3, 1922, page 832, will be found conclusive testimony of many witnesses in this country and in Canada discrediting a consumption tax. Who is it asks for it and who pays for special trains and propaganda that covers local papers in a hope eventually to substitute this tax for the income tax now paid?

The last bonus bill struck out a consumption tax in conference before it passed the House. Senators tell me the tax can not pass the Senate. A bonus bill will pass the House, but if an open discussion is had, it will not contain a consumption tax.

Very truly yours,

JAMES A. FREAR.

Let me now call attention to a significant part of that speech in 1922 which ought not to be overlooked by any Member of Congress. When Canada woke up to the fact that a sales tax had been tagged on to the people, the latter took action. I called attention in the RECORD of February 21, 1922, to a complete turnover of the Canadian Parliament which occurred at the election December 6, 1921:

Prior to the election, the Parliament stood—Conservatives, 120; Liberals, 84; Progressives, 14. The election gave Conservatives 51, Liberals 117, Progressives 65; or an opposition vote of 177 to 51, compared with a prior Conservative majority in a vote of Conservatives 120 to 98.

Quoting further from my speech—

This tremendous overturning of the Canadian Parliament, according to my advices, was occasioned by a high protective tariff and a burdensome manufacturers' sales tax like that which is now being urged by committee members.

Let me continue as to politics, which is certainly as important as any wet and dry issue, because it is a burden upon the necessities of the people which they resented in Canada according to the following testimony:

CANADIAN POLITICS

From many letters of denunciation of the Canadian sales tax I quote the following as to the political issue with labor organizations.

In a letter dated Toronto, Canada, December 13, from Toronto District Labor Council, it is stated:

"While organized wage earners have not given any official expression regarding the sales tax, the general discussions on the political situation during the last few weeks leave no doubt as to their opinion. This system of taxation was soundly condemned by every speaker in any way connected with the labor movement officially."

"TORONTO DISTRICT LABOR COUNCIL,
"JAMES WATT, Secretary."

The foregoing is a square expression of labor in Canada on the subject of a sales tax and of its political significance when it was "condemned by every speaker in any way connected with the labor movement."

FARMERS MAKE POLITICAL ISSUE IN CANADA

From the United Farmers of Alberta the following statement is significant of the political issue last election, when practically all of western Canada was wrested from the Conservative Party:

CALGARY, CANADA, December 31, 1921.

President Wood has referred to me your letter of December 6 re sales tax. I may say that there is a very strong feeling against the sales tax, and that it was vigorously attacked by many of the speakers of the organized farmers during the recent Federal general election.

The inclosed pamphlet entitled "Sales Tax Hits the Poor Man" (issued by the Canadian Council of Agriculture) is, I think, a summary of the arguments used against this tax during the campaign, while the Try Outs in Taxation also contains references to this matter.

I was interested to note that the sales tax in the United States is advocated by big business and financial interests, which fear the heavy income, excess-profits, and estate taxes. Exactly the same groups of interests advocated the tax in Canada, and you will note from the pamphlet Sales Tax Hits the Poor Man the representatives of the agricultural interests in this country were not consulted in any way in connection with the matter.

Yours very truly,

UNITED FARMERS OF ALBERTA,
W. N. SMITH,
Educational Department.

The sales tax was "vigorously attacked" by many of the speakers of the organized farmers during the recent Canadian election. Results speak for themselves.

WHAT CANADA DID

Before the Ways and Means Committee Edward F. Grady, speaking for the American Federation of Labor, said on February 3:

"The members of our organization over in Canada joined with the farmers in protest against the sales tax, and at the last election on December 6 we were enabled to defeat all of those men who voted for a sales tax (p. 140)."

"You took off \$450,000,000 from the corporations which made excess profits. . . . You reduced the surtaxes on incomes by the amount of \$61,500,000. . . . In the last bill you repealed \$60,000,000 in luxury taxes. . . ."

"It is an extremely dangerous proposition, and I predict if you impose a sales tax the people of this country will do what the people of Canada did when they had an opportunity—defeat everyone who voted for it (p. 141)."

I am making no comment on this testimony taken before the committee excepting to disclose the political action taken by the people of Canada with reference to the Canadian manufacturers or sales tax.

Another witness before the Ways and Means Committee, H. C. McKenzie, tax expert for the American Farm Bureau Federation, was asked:

"Mr. OLDFIELD. Do you know personally that that (the Canadian sales tax) was an issue in the recent campaign in Canada?"

"Mr. MCKENZIE. Yes; it was an issue in the campaign, and the same interests that are opposed to the sales taxes and consumption taxes in this country opposed them in Canada also. Labor and the farmers are opposed to it there and were fighting it there."

As stated by Mr. McKenzie, the sales tax was vigorously attacked in Canada by many of the speakers of the organized farmers during the recent general election. In order that it may not seem the opinion of labor in the letter on a sales tax was isolated, I again quote briefly from Canadian sources.

From a number of letters the following indicates what the consumer thinks of the Canadian tax:

ST. JOHN TRADE AND LABOR COUNCIL,
St. John, New Brunswick, December 12, 1921.

"Yours of the 3d received, inquiring about the sales tax in force in Canada. . . . Briefly, the way the tax works is that each time an article is turned over or sold this tax is collected, and in these days of manufacturers, jobbers, wholesalers, retailers, and other middlemen it is easily seen where the tax lands us by the time the article reaches the consumer, for each time the article is sold the tax is collected and, of course, added to the next selling price, and a small tax of 1 or 1½ per cent easily amounts up to possibly 10 per cent or more in some cases."

Fraternally yours,

GEO. R. MELVIN, Secretary.

A SEVERE TAX ON THE WAGE EARNER
HAMILTON DISTRICT TRADES AND LABOR COUNCIL,
Hamilton, Ontario, December 26, 1921.

"Re sales tax in Canada and its effects upon the wage earners, can only say that this tax falls with peculiar severity upon the wage earner. It is very much like a tariff, minus the protective benefits. It is passed on to the consumer in every instance. And as the working classes on a whole are the greatest consumers, they of necessity pay the greater share of the tax."

This, however, is in strict accord with true capitalistic economics and administration. They are sternly opposed to all forms of direct taxation, which would mean that those who own approximately 85 per cent of the wealth of the country would pay their just share of the taxes. This, of course, would never do. Hence the sales tax. Trusting that this information is answering your query,

I am,

Yours fraternally,

[SEAL.]

H. G. FOSTER, General Secretary.

Again I quote from another letter:

TORONTO DISTRICT LABOR COUNCIL,
Toronto, December 13, 1921.

This tax was imposed to supersede the surplus profits tax which was in operation during the later stages of the war.

While organized wage earners have not given any official expression regarding the sales tax, the general discussions on the political situation during the last few weeks leave no doubt as to their opinion. This system of taxation was soundly condemned by every speaker in any way connected with the labor movement, officially or otherwise.

My information leads me to believe that the tax is imposed on the manufacturers' output, the increased cost being passed on to the dealers and eventually the consumers pay the tax in increased prices. Unlike the income tax and business tax, which recognize more or less the principle of "ability to pay," the sales tax applies to consumers in the purchase of commodities, and if the consumer can not pay the increased price by reason of the tax, he goes without the goods. This sales tax largely applies to the necessities of life, hence you will readily understand why organized workers oppose such methods of taxation when surplus profits are untouched. I am further of the opinion that the great ma-

jority of our people are unaware of what this sales tax really means, they pay the increased price without knowledge of the amount, no mention being made concerning the tax, to put the whole matter shortly—legally flimflammed.

Yours truly,

TORONTO DISTRICT LABOR COUNCIL,
JAMES WATT, Secretary.

"Legal flimflamming" is a name with which to entitle the proposed sales tax here. If its passage results in a political turn-over like that experienced by Canada a few weeks ago, it will evidence a well-grounded, universal prejudice against flimflam games.

LEGAL FLIMFLAMMING

One other brief statement I quote from a communication dated Ottawa, December 2, that is more of a résumé of the tax than is covered by other correspondence. It says:

OTTAWA, ONTARIO, December 2.

Ottawa this week received, entertained, and introduced to the intricacies of its sales tax act a party comprising 47 Members of Congress, representing 30 different States, railway men, newspaper men, and others. They came as the guest of Mr. William Randolph Hearst, with Hon. Lester D. Volk, of New York, as head. . . . But while the members of the party studied the sales tax act from a variety of angles, your correspondent ventures the assertion that they did not receive nor consider facts with reference to its application to the consumer.

I do not believe that in their examination of Government statistics they found that a man with a wife and one child in Canada pays \$18.66 every year as a result of this form of taxation; that a man with a wife and two children pays \$24.88; that families of varying sizes pay on the following basis:

| | |
|-------------------------------|---------|
| Man, wife, and three children | \$31.10 |
| Man, wife, and four children | 37.32 |
| Man, wife, and five children | 43.54 |
| Man, wife, and six children | 49.76 |
| Man, wife, and seven children | 55.98 |
| Man, wife, and eight children | 62.20 |

In other words, the sales tax in Canada adds to the living expenses of a family of ten \$5 a month. Families of this size may be "unfashionable," but those who are not particularly stylish feel it to the extent as it applies, as illustrated above. Bachelors are lucky!

These figures are based upon official statements. Sales-tax collections for the 12 months ended October last amounted to \$52,870,000, while our population is approximately 8,500,000. This means a per capita tax of \$6.22 for every man, woman, and child in Canada yearly.

The following table strikingly illustrates what income and sales tax combined mean to a Canadian as compared with a citizen of the United States:

| Canada | |
|------------------------------------|------------|
| Income—man, wife, and two children | \$2,500.00 |
| Income tax | 4.00 |
| Sales tax | 24.88 |
| Total | 28.88 |
| United States | |
| Income—man, wife, and two children | 2,500.00 |
| Income tax | 8.00 |
| Total | 8.00 |

The sales tax in Canada is, above all else, a tax on consumers. The more you buy the more you pay. It is paid in the majority of cases not on one able to pay but in proportion as one must buy things. With a person of means it is entirely optional whether he buys expensive furniture, limousine, etc., but in buying articles of ordinary consumption the average person has no choice. We must buy to live, to exist, and as we buy we pay.

The sales tax increases the cost of living. There can be no doubt about it. In Canada it is not a tax on luxuries; it is a tax on everything; and we must have necessities before we have luxuries.

CANADIAN TAX AND THE FARMER

In this country it can be safely said that organized labor and organized agricultural societies are overwhelmingly opposed to a sales tax, as I have shown by reputable witnesses. In Canada the organizations are not so closely formed, but from the foregoing it may well be deduced that labor in Canada is against a sales tax. It could not be otherwise. Agricultural interests in Canada are not for a sales tax.

The Winnipeg Grain Growers' Guide put it that a sales tax "is immensely pleasing to those who had to pay the excess-profits and income tax and who care little where the burden of taxation falls as long as it doesn't fall on them."

It says:

"The people want justice in taxation before convenience, and there is precious little justice in this proposed tax on sales."

Admitting that the sales tax is finding great favor with financial interests across the border, it adds:

"To those who are not unacquainted with the ways of financial interests, the mere fact that the proposition emanates from their councils is enough to provoke suspicion, and when it is affirmed that the tax is 'passed along in small fractions and is finally paid

by the consumer, practically without his knowledge, and the additions are so trifling as not materially to affect prices, that such a tax would raise more revenue than the country actually needs, and that its adoption would lead to repeal of the excess-profits tax and the income tax, one begins to detect the 'nigger in the woodpile.' It takes a wizard of finance to maintain that some \$500,000,000 a year can be painlessly extracted from the people of Canada."

In the Records of January 3 and January 27 I furnished many statements from agricultural organizations of Canada. These will not be repeated, but I add a statement issued by the Canadian Council of Agriculture that every Representative in Congress may well read, because it gives the farmer's viewpoint of the manufacturers' sales tax, which he declares collects 53 per cent of all the tax from farmers of Canada, because of their large purchases of things consumed and of things used, from shoes, sugar, and shirts, to gasoline and machinery.

The statement follows:

"CANADIAN SALES TAX

"SALES TAX HITS THE POOR MAN—AN EXAMINATION OF THE PRINCIPAL FEATURES OF THE FEDERAL GOVERNMENT'S BUDGET FOR 1921-22

"(Issued by the Canadian Council of Agriculture)

"The sales tax was the principal feature of the Federal budget for the fiscal year 1921-22, which was presented by the Minister of Finance, Sir Henry Drayton, before Parliament in May. By means of this tax the Federal Government expects to raise the additional revenue which is required to meet the increased expenditures of the present year, as compared with the revenue and expenditures of last year. It involves additional costs of living to every man, woman, and child in Canada, and treats them all alike, whether they be rich or poor, able to pay or not able to pay.

"Therefore, the sales tax, which was first introduced in Canada during May, 1920, is one that merits close study. This is especially true because it is intended to fall upon the great mass of the people, being levied, in so far as Canada is concerned, on a large number of the necessities of life. It is thus primarily a consumption tax, which is another good reason why it should be thoroughly studied, for it is levied not in proportion to one's ability to pay but in proportion as one consumes. As first introduced, it was a tax of 1 per cent on sales by the manufacturer or producer to the wholesaler or jobber, who in turn collected from the retailer. On sales made direct by the manufacturers or producer to the retailer the rate was 2 per cent. In 1921 the rate was increased to 1½ per cent on sales by the manufacturer or producer to the wholesaler or jobber; when the sale is made direct to the retailer the rate is 3 per cent. Another tax of 1 per cent is also collected on imports, the rate on such sales to the consumer being not less than 4 per cent.

"Taxes approximating to the sales tax were collected in Europe as far back as the Middle Ages, but coming down to the history of the last half century the sales tax made its appearance in Mexico nearly 40 years ago, during the régime of Dictator Porfirio Diaz. The finances of Mexico were then in a chaotic state; taxation, being very little understood, was only slightly discussed, and, as the Mexicans had to buy and sell, Diaz came to the conclusion that by taxing these absolutely necessary operations he could raise revenue, and he did.

"The sales tax was next copied by the United States administration in the Philippine Islands. After the Spanish-American War, through which these islands passed to the United States, their business life was in a state of collapse; the Spanish market, on which they had depended largely, having been closed to them. Being desirous of bringing about free trade with the United States, the sales tax was introduced as a means of securing a substitute for the revenue that had chiefly come through customs levied on American imports. France in 1920 adopted the turnover tax, which in principle is similar to the sales tax, though more equitable in that in France it included services and transactions of all kinds, as well as commodities. Germany also has such a tax, which is very far-reaching in its effect.

"WHO ASKED FOR IT?

"Whatever may be said in favor of the sales tax, there is no doubt about it being an attempt to secure new revenue from the great mass of the people who work for a living. There is no pretension that it lightens the load of taxation resting on the masses; on the contrary, it is usually accompanied by measures designed to relieve the well-to-do of taxes borne by them. Canada's experience has demonstrated this in the most striking manner.

"By whom has this tax been advocated? By the farmers, by labor, or by the great mass of those of small means? Influential financial, industrial, and commercial interests started the agitation. In March there was held at Toronto a conference on taxation attended by representatives of the Canadian Manufacturers' Association, the Canadian Credit Men's Association, the Retail Merchants' Association, and the Canadian Wholesale Grocers' Association. Neither the organized farmers nor labor were invited, though both would have sent representatives had their presence been desired. Note the recommendations made to the minister of finance by this gathering: 'That the business profits tax shall not be reenacted; that the income tax as regards corporations shall be repealed; that the present existing tax on confectionery shall be abolished; that the present sales tax shall be adjusted so as to provide the additional revenue needed by the Dominion Government.'

"It is true that in 1920, when the sales tax was first introduced, no taxes were abolished or reduced. But in 1921, when the tax

was increased, it was made to do the bidding of the interests represented at the Toronto gathering, and no others. Everything asked, save the repeal of the income tax affecting corporations, was granted, and the nature of the sales tax was thus revealed in its true light. No attempt was made to secure from the best-off portions of the community any part of the revenue thus lost. The masses were expected to make up what the big business interests were relieved of. Sixty-two millions of new revenue were required, and in the heavier sales tax was the only means provided for the raising of the money, which meant a per capita tax of \$7 for the year.

"SOME ABSURD CLAIMS

"Who are the advocates of the sales tax in the United States? For the most part they are representatives of the big interests, the agents of great capitalists and war profiteers, who, though they did not dare to complain of taxation while the war waged, have maintained a loud clamor against it since peace was proclaimed. These interests have conducted a vigorous propaganda in favor of the sales tax, many of the arguments thus advanced having been reproduced in Canada. Never before had as many absurd claims and extravagant statements been made on behalf of any system of taxation as have been made by the American advocates of the sales tax. They have told the public that a 1 per cent tax would produce so much revenue that no income taxes below \$5,000 and possibly \$10,000 would be required; that all surtaxes on incomes might be abolished, and that practically all the special war taxes might be allowed to go. So absurd are their statements that they call in question the whole case for the sales tax, so that the general public may well regard it with suspicion. They have been prepared to promise anything in order to get the opportunity to shift the load from their own shoulders. If the Canadian council of agriculture had lived on this side of the border, no better, clearer, or more significant statement could have been written regarding the absurd and misleading promises of United States sales tax proponents. They desire to substitute a sales tax for the present income tax in this country, as set forth by witnesses in my remarks contained in the Record of January 3. Canada spoke her judgment at the recent elections.

"REVENUE RECEIPTS DISAPPOINTING"

Again, I quote from the Canadian agricultural report:

"The sales tax can never be regarded as one of the main sources of revenue in Canada, since to make it so could only be done through a violent disregard of the best recognized principles of taxation, namely, that taxes should be levied in proportion to the individual's ability to pay them. As a source of revenue the 1 per cent tax in Canada was far from being a great success. During the 11 months up to the end of April, 1921, that it was in operation it brought in only \$40,898,383. As a producer of revenue it failed most when money was most needed. In October, 1920, when business was good and retail prices still high, the collections were \$5,020,476, but in April they fell to \$2,873,219, and were still falling when the tax was increased. As Parliament voted \$620,000,000 this year, one can easily see how far a 1 per cent tax would go to produce that amount. During the six months that the luxury taxes were in operation they brought in \$2,000,000 more than the sales tax did during the whole eleven.

"Advocates of the sales tax make much of the fact that it is easily collected, and they confidently assert that nobody feels it. A tax collected on the necessities of life that all must have can not fail to bring in a certain amount of money. But the question of the equitable nature of the tax must also be considered. Armies of occupation, through compulsion, sometimes succeed in raising large sums of money from comparatively poor countries; but to say that it can be collected is not sufficient justification for a tax. The sales tax is inequitable if for no other reason than that the poor man, who must spend practically all he earns, pays the tax out of what should go for necessities, whereas the rich man pays it out of his surplus. The rich man, who spends several months in the year out of the country, escapes the tax; but the man who can not afford to go away, pays.

"LET THE CONSUMER BEWARE

"The claim that the consumer did not feel the payment of the 1 per cent tax is open to question. It is absurd to say that an already heavy-taxed public does not feel the taking of another \$40,000,000 from it, especially when the greater part of it is taken from the poorest paid. Surely, no one will contend that the new tax, which on domestic sales is at least 3 per cent by the time it reaches the consumer * * * and the tax on imported commodities, which is 4 per cent in such case * * * is not felt. It is difficult to determine definitely how much the cost to the consumer is increased by the sales tax, but the probability is that the 1921 rate will increase costs generally about 5 per cent. On certain imported goods, on which the tax will never be less than 4 per cent, the cost may be increased as much as 8 per cent. This is especially true of commodities such as rubber tires, into the manufacture of which many imported materials enter. The effect of the tax in increasing the cost of lumber became so apparent that a reduction was made to the effect that the tax on sale of domestic material should not exceed 2 per cent; on sales of imported lumber the rate was fixed at 3 per cent. Even at these rates the tax is considerable to the settler who must build a house and outbuildings. It is, moreover, to be observed that the additional 1 per cent on imports will have the effect of raising the home price on all such articles as are taxable. Experience with the tariff leads one to expect this.

"The consumer is bound to feel the effects of the 1921 tax more than that of the preceding year for the further reason that the list of tax-free commodities has been much reduced. The following, which were exempt in 1920, are now taxed: Salted, smoked, and canned meats, soups, tea, coffee, condensed coffee, milk foods and similar milk products, sage, tapioca, macaroni, vermicelli, split peas, pea meal, rice, rice flour, cornstarch, potato starch and flour, canned and desiccated fruits and vegetables, maple, corn, and can sirup, and imitations thereof. No argument is required to show that the taxing of these articles is a very considerable additional levy on consumers. It is worthy of special note that tea and coffee, being imported articles, bear a tax of at least 4 per cent. This is taxing the poor man's breakfast table, which most Governments are now loath to do.

"In the case of many persons enjoying but a small salary, or income, the sales tax practically cuts away the exemptions from the income tax. On an income of but \$2,000 a year a married man pays no income tax; but calculating the per capita sales tax at \$7, then if he has a family of four, he will pay \$28. The head of a family of four—that is, a wife and two children—having a salary of \$2,500 pays but \$4 in income tax, but his sales tax will now take from him seven times that. And the examples to this effect could be multiplied.

"AN INSIDIOUS TAX"

"One of the most dangerous features of the sales tax is its insidious character. So-called 'painless' extraction methods of taxation are always to be feared, for, in a quiet way, they touch the average person most effectually. Definite knowledge of what taxes the individual pays is one of the surest safeguards against inequitable taxation. By the 'painless' sales tax it is proposed to take this year \$23,000,000 more from the consumers of Canada than was taken last year. What is the use of making a fight over the tariff if the money which it is hoped may thereby be saved is to be taken away by another method?

"Additional danger lurks in the possibility that having brought about its introduction, certain interests that have been benefited may further use it to shift other burdens from their shoulders. It is well known that they are restive under the tax on higher incomes, and also under the surtaxes, and it may be taken for granted that an attempt will be made to shift these onto the backs of the masses. The signs are not wanting that some of the most important political battles of the not distant future will be fought over the question of taxation.

"There should be an insistence that taxes conform to the well-known canons of taxation laid down by Adam Smith in the following: 'The subjects of every State ought to contribute toward the support of the Government as nearly as possible in proportion to their respective abilities; that is, in proportion to the revenue that they respectively enjoy under the protection of the State. The expense of government to the individuals of a great nation is like the expense of management to the joint tenants of a great estate, who are all obliged to contribute in proportion to their respective interests in the estate. In the observance or neglect of this maxim consists what is called the equality, or inequality, of taxation.' According to this standard the sales tax is weighed in the balance and found wanting.

"Winnipeg, August, 1921."

In view of the foregoing statement founded on actual Canadian experience, will any man say the tax does not unjustly hit the poor man, and will anyone say it is not and was not a political issue that helped overthrow the conservative Canadian Parliament and reduce it to a hopeless minority?

SUGAR

Another statement in my letter quoted sugar at 10 cents per pound in Canada, while it is only 6 cents here. That statement has been challenged. I am glad to give my authority:

[From the Labor Gazette, Canada, January, 1922, pages 92 to 99]
December prices for sugar

| | Cents per pound |
|------------------|-----------------|
| Nova Scotia | 9.6 |
| Ontario | 9.3 |
| Manitoba | 9.7 |
| Saskatchewan | 10.1 |
| Alberta | 10.2 |
| British Columbia | 9.4 |
| Moose Jaw | 10.7 |

Average cost of living over 1913

[Page 90]

| | Per cent |
|----------|----------|
| Food | 50 |
| Fuel | 87 |
| Clothing | 73 |
| Sundries | 81 |

Remember that the purchasing power of the farmers' products in Canada, as in this country, makes a difference of more than double the prices here quoted to the farmers' disadvantage.

Acting undoubtedly with the aid of advice, the President wrote Chairman Fordney regarding the soldiers' bonus bill. Suggestions from that high source are welcomed by every member of the party who has a legislative responsibility, however humble. In fact, I yield to no man in my appreciation of and high respect for the Executive; for the many difficulties he has met and surmounted as the party leader following an unprecedented industrial and economic war chaos and his world position rising far above rulers of

all nations through the recent peace accomplishments of the Washington conference. I do not need to say more, and I speak from the standpoint of a lifelong Republican.

The House has its constitutional duty to perform of providing revenues, and in its legislative work the added responsibility of securing agreement with the Senate. Following suggestions from the Secretary of the Treasury, the House Members sought to provide special taxes with which to finance the bonus bill, although in so doing a precedent would have been inaugurated that necessarily brings criticisms and protests against any tax and against any measure that requires a direct tax. It is not only an unprecedented method of legislation but manifestly unjust to the measure to be financed.

The proposal invited committee disagreements and the President's letter containing suggestions followed. It suggested temporary delay if desirable in order to meet Treasury conditions, and to permit full cash payments to all service men and a general sales tax as a method of securing quick funds. Representatives of national ex-soldiers' organizations called before our committee referred to repeated promises for early action, objected to delay in the passage of the bill, and urged its speedy enactment as prepared with the five options. Asked specifically about full cash payments, they said that would prevent the acceptance of certificates or of insurance or home-building options in the bill that had been carefully prepared and long and seriously considered with a view to granting permanent aid in the majority of cases. If offered all cash in amounts of \$500 or \$600 as is construed from the letter instead of continuing payments, the temptation would be offered all men to take cash and ignore other provisions.

The sentiment of agriculture and labor in this country on the subject of a sales tax based on recent expressions is as follows:

STATEMENT OF SAMUEL GOMPERS, FEBRUARY 16, 1922

"Organized labor stands 100 per cent for the soldiers' bonus but is opposed to a sales tax as a means of raising revenue for the bonus, just as it is opposed to a sales tax to pay any debt contracted by the Government.

"The attempt to attach the worthy proposal for the bonus to a most vicious measure inimical to the rights and interests of our citizenship is a flagrant manner of incurring the people's resentment to a just cause.

"Labor recognizes in the proposal to attach the sales tax to the soldiers' adjusted compensation bill a subterfuge intended either to defeat the bonus or to create a feeling of resentment against the veterans of the World War by placing the burden upon those least able to bear it, and by permitting the escape of those who profiteered so relentlessly during the period of the war and since the war.

"The bonus should have the approval of Congress, but to create a sales tax would be to turn a measure of justice into an imposition and an injustice upon the whole people.

"The position of labor upon the sales tax is stated officially in the following resolution:

"Resolved, That the American Federation of Labor in convention assembled declares against the imposition of a retail or general sales tax or turnover tax, or any other tax on consumption, and opposes the repeal of the excess-profits tax, and demands that the highest rate of taxation levied during the war upon incomes and excess profits be retained until the full money cost of the war has been paid."

"Congress refused to adopt the sales tax as a part of the general revenue provisions. That proposal should not now be used to beloud the merits of a measure intended to do justice to those who patriotically defended the country in its hour of need."

Many other recent statements from labor have been quoted in previous remarks, but I will only repeat extracts from one that is concise and indicates the way a sales tax is regarded by American consumers generally:

[Brotherhood of Locomotive Engineers, Brotherhood of Locomotive Firemen and Enginemen, Order of Railway Conductors, Brotherhood of Railroad Trainmen]

CLEVELAND, OHIO, January 14, 1922.

To all members of the Brotherhood of Locomotive Engineers, Brotherhood of Locomotive Firemen and Enginemen, Order of Railway Conductors, Brotherhood of Railroad Trainmen in the United States.

DEAR SIRS AND BROTHERS: The attention of all members is called to the proposed sales tax bill introduced by Congressman Volk, of New York. It is the intention to raise \$2,000,000,000 a year by a sales tax upon everything you consume. In order to have this bill put over and become a law, they have tied it up as a part of the bill for a bonus for soldiers. We think all workmen agree that the soldiers who fought for their country are entitled to a bonus, and that such a bill should be passed, but, in our opinion, it is not necessary, in order to pay this bonus, that the working people of the United States should be taxed through a direct sales tax bill to the amount of \$2,000,000,000.

The sales tax bill can be killed most easily by the enactment of a rapidly progressive tax upon estates, by restoring the excess-profits tax, by retaining heavy taxation of large incomes, by levying a small tax on the value of land in excess of \$10,000, with an exemption to all farmers who receive less than \$3,000 income per year, as provided in the Keller bill. Senator La Follette has

introduced such an estate tax bill (S. 2901), and it has been referred to the Senate Committee on Finance.

Hoping you will give this your prompt consideration, we remain,
Yours fraternally,

W. S. STONE,
Grand Chief Engineer, Brotherhood of Locomotive Engineers.
W. S. CARTER,
President Brotherhood of Locomotive Firemen and Enginemen.
L. E. SHEPPARD,
President Order of Railway Conductors.
W. G. LEE,
President Brotherhood of Railroad Trainmen.

AMERICAN FARMERS

The American Farm Bureau as late as February 17 of this week—yesterday—issued a letter to Members of Congress on a sales tax, which I am advised was passed upon by President Howard and other responsible officers. It is as follows:

AMERICAN FARM BUREAU FEDERATION,
Washington, D. C., February 17, 1922.

To Members of Congress.

DEAR SIRS: The American Farm Bureau Federation is against the sales or manufacturers' tax for raising the soldier bonus as suggested by the President. We feel it is just as uneconomic to place a sales tax upon the people for the purpose of giving a bonus to the soldiers as it is for raising revenue for general Government expenses. The sales tax is levied upon food, clothing, and the necessities of life of the average man and does not take the money from those who are most able to pay.

Taxes are already exceedingly high and a sales tax would only mean further burden upon the average individual, and when we stop to consider that the average income of each man, woman, and child in this country whose income is below the income-tax level is only \$333 per year, the American Farm Bureau Federation believes it would be a rank injustice to raise further revenue for the soldier bonus by this method. It would take away from these people any prospect of accumulating a competence no matter how small, and would blight their hope of bettering conditions. Not only would it cut off their opportunity for saving but in countless instances it would mean less food, fewer shoes and stockings, less coal for the stoves, and more crowded living quarters. It must be remembered that the bulk of the revenue, if secured by a sales tax, will be derived from the taxes on food, fuel, clothing, and shelter.

We feel that the passage of the sales tax would cause many farmers so to shape their farming operations as to be more nearly self-sustaining, and therefore still further reduce business operations of our country. The farmer now gets only 37 cents of the consumers' dollar, and a sales tax will reduce that amount. We are glad, however, that Congress has seen fit to discard the proposed sales tax once, and the federation sincerely hopes that it will do so again.

Very truly yours,

AMERICAN FARM BUREAU FEDERATION,
GRAY SILVER, Washington Representative.

I can not make this any plainer than by quoting a short letter recently received from representatives of the American Farm Bureau Federation. In these letters they assume to speak for an agricultural organization numbering between 1,000,000 and 2,000,000 active members. They denounce all consumption taxes that in like manner are denounced by Canadian labor and agricultural interests, speaking from the standpoint of the consumer.

I quote:

AMERICAN FARM BUREAU FEDERATION,
Chicago, Ill., December 27, 1921.

HON. JAMES A. FREAR,
House Office Building, Washington, D. C.:

Replying to your letter of December 23. The American Farm Bureau Federation is unalterably opposed to any general sales or turnover tax, a manufacturers' tax, or any means of shifting the bulk of the taxes from income to consumption taxes.

The more the matter is agitated and the better the people come to understand what is involved, the more determined they become in their opposition, and this policy, if persisted in, will surely bring calamity to its advocates.

It takes from the farmer, the laborer, and all those below the income-tax level a part of their living, and the bulk of the tax would necessarily come out of the necessities of life—food, fuel, shelter, and clothing.

It is an effort to shift to the 90,000,000 people below the income-tax level the burden of the war taxes; it would absorb a considerable part of what buying power they now have, and thus sink us still deeper in the slough from which we are trying to extricate ourselves.

It would stir up such a social ferment as we have never had in this country and is both socially unjust and economically unsound.

It is opposed by all the agricultural interests of the country as well as by organized labor. Political madness lies that way.

Yours, truly,

H. C. MCKENZIE,
Tax Representative.

The following letter from President Howard is equally positive in statement:

AMERICAN FARM BUREAU FEDERATION,
Chicago, Ill., December 28, 1921.

HON. JAMES A. FREAR,
Committee on Ways and Means,
House of Representatives,
Washington, D. C.

DEAR MR. FREAR: * * * We believe that taxes should be levied according to the measure or ability of the individual to meet them and are particularly opposed to the so-called sales tax or turnover tax. Its enactment would place an undue burden upon the farmers of the country, due to the fact that their income both on labor and invested capital is, and always has been, below that of any other class of our people, while at the same time we are of necessity very large consumers not only of food and clothing but of steel and iron products, building materials, etc. The sales tax would add to the costs of all these things, which burden would be strenuously opposed by all farmers. Not only that, such a tax would react on industry by further curtailing the farmers' purchases, and industry is already suffering from that very cause. * * *

Very truly yours,

AMERICAN FARM BUREAU FEDERATION,
J. R. HOWARD, President.

Yesterday, February 16, The National Grange, composed of over 1,000,000 members, gave out the following statement:

GRANGE PROTESTS SALES TAX

"The National Grange, through its Washington representative, T. C. Atkeson, in letters sent to-day to Senator McCumber, chairman of the Senate Finance Committee, and Representative Fordney, chairman of the House Ways and Means Committee, declared it is 'unalterably opposed to the sales tax or any form of direct consumption tax for the soldier bonus or for any other purposes.'"

"The sales tax is a deliberate effort to shift tax burdens from those best able to pay to those least able to pay," the letters said. "Once a sales tax is inaugurated, backed with the power which is now urging it, it is doubtful if it could ever be set aside, and we can look forward to steadily diminishing taxes on large incomes and inheritances and to steadily increasing sales taxes to pay the burden of government."

"The National Grange," Mr. Atkeson continued, "has suggested an excess-profits tax to pay the soldier bonus. Should that be inexpedient, the tax decided on should be so levied that it will not be levied to the direct cost of necessities of the great number of people of limited income."

The national farm meeting called by President Harding recently, in Washington, passed the following resolution against any sales tax. I quote from editorial that shows the protest against a sales tax.

[From editorial page of Farm and Home for March; Chicago, Ill., and Springfield, Mass.]

"THE SALES TAX—UPON THE NECESSARIES OF LIFE—THE POOR SHALL PAY THE TAX—THE RICH MAY LARGELY ESCAPE THIS TAX

"We positively and earnestly protest against any consumption or sales or manufacturers' tax, or any other tax which shifts the burden onto those least able to pay, onto the necessities of life, and has proved disappointing financially and unjust socially wherever tried." Unanimously adopted by national agricultural conference at Washington, January 27, representing all phases of farmers' thought and farm activity.

"This tax is now urged on Congress—a tax on sales—within three weeks of the day that the farmers' conference at Washington unanimously protested against such a tax. The common people, the masses, unitedly oppose it.

"If this tax is imposed, it means that you will have to pay an extra tax of probably 3 cents on every dollar you spend. Of course, the retail prices that you pay will be correspondingly increased. Worse yet, the wholesale price that you get for your produce when sold will be correspondingly decreased.

"Thus you, the farmer, the producer, the worker—all persons of moderate means—may be forced to pay the equivalent of not 3 cents, but somewhere between 5 and 10 cents extra upon every dollar you spend, while having as much more deducted from every dollar's worth of stuff you produce and sell.

"WEALTH ESCAPES TAX

"Did you notice how theaters, financiers, and other special interests protested in unison against the righteous plan of taxing amusements, speculation, excess profits, and great wealth? Those powerful interests are so highly organized that they made their protest effective within 24 hours.

"The logical result is now the proposed sales tax. It will be but trifling upon those best able to pay, while a well-nigh insufferable burden upon everyone least able to stand additional taxes."

The National Board of Farm Organizations is equally opposed to the sales tax, and its secretary, Mr. Lyman, sends a letter which also contains cumulative testimony from the secretary of the Canadian Council of Agriculture against a sales tax. I quote:

NATIONAL BOARD OF FARM ORGANIZATIONS,
Washington, D. C., January 24, 1922.

Congressman JAMES A. FREAR,
House Office Building, Washington, D. C.

DEAR MR. FREAR: I have gotten in touch with Canadian people in regard to the sales tax, and I hope to have a definite reply soon.

In the January 14 issue of the *Prairie Farmer*, published in Chicago, a copy of a letter from N. P. Lambert, secretary of the Canadian Council of Agriculture, appears as follows:

"Our organization throughout the whole country is strongly opposed to the sales tax. The principle of this tax is wrong in our opinion, being based on the consuming capacity of the great masses rather than their ability to pay. The sales tax was in vogue in the Middle Ages, in such countries as Spain, but to-day I believe the only countries that have used it to any extent are Mexico, Germany, Philippine Islands, and, I think, France. It is generally regarded as a confession on the part of any country that adopts it that all other sources of revenues have been exhausted."

This appears to throw an entirely different light on the matter as far as the Canadian farmers are concerned, and is also in line with my previous understanding of the real position taken by the farmers in that country.

Sincerely yours,

CHAS. A. LYMAN, Secretary.

From recent committee hearings another farmers' organization representative is quoted:

[Hearing, January 20, 1922, p. 35. Benjamin Marsh, Farmers National Council]

"Mr. MARSH. Gentlemen, I wish some of you had taken the trips which I have and talked with these farmers and workers—some workers who have been out of a job for six or eight months and every last dollar gone, and the farmers, who are broke, absolutely—and when you talk about a sales tax—I want to tell you that the sales tax is the dead line politically for any party, and deservedly so."

"Mr. FEAR. Mr. Leffingwell agreed in his opposition to a sales tax and so did Doctor Seligman when they were before our committee."

"Mr. MARSH. And so do something like 20,000,000 voters. They would be interested vitally."

And from scores of witnesses named in RECORDS of January 3 and January 27 I quote two men of acknowledged standing and fairness who recently appeared before our committee:

"Mr. SELIGMAN. It is true, I assume, that the general principles governing democratic taxation in this country would continue and that no democratic country would intend to pass or for a moment consider a tax on consumption, because it is only in time of war that there is any need for the restriction of consumption, whereas in time of peace you want to increase consumption that you can increase production and industry and prosperity."

[Hearing, Jan. 19, 1922, p. 22. R. C. Leffingwell]

"Mr. LEFFINGWELL. The economic and social objection to a sales tax or to any indirect tax is that it hits the man who has to consume the things that his income will buy, because his income is so small and his family so big—out of all proportion to his income—so that the tax is much heavier on him than it is on the man who has a great big income and has to spend a very negligible proportion to meet his tax."

"I believe that the sound principles of taxation are going to come to be recognized by all parties, because they go to the root of social content; and whether we are Republican or Democrats, and whatever our school of economics and whatever our historical thought about questions like the tariff, whatever our instincts about a sales tax, it is coming down to this, that you can not afford to put the inordinate burdens of the modern State upon the shoulders of the consumer, who has to spend all of his income to keep alive."

Not one witness favoring a sales tax appeared before the Ways and Means Committee. In fact, this tax seemed friendless until it was suddenly proposed as a means of financing the bonus bill. No chance to examine witnesses has been afforded the committee to expose the character of the tax.

SALES TAX VERSUS EXCESS-PROFITS TAX

A comparison of those opposed to a sales tax and advocating the reenactment of an excess-profits tax is not complete without presenting another picture that comes from the lips of a man whose wonderful power of analysis is rarely equaled in or out of Congress. I quote from a soldiers' journal, March, 1922, called *Treat 'Em Square*. It gives the ex-soldiers' viewpoint, and on page 29 contains the following from a public speech of a distinguished United States Senator:

"Why should not the very wealthy seek to escape? Mr. President, they have been seeking to escape and have been making a great battle along that line."

"WEALTH ESCAPES BURDEN"

"Along last winter I happened to be in the city of New York. A friend of mine extended me an invitation to go with him down to the Economic Club. As I always have been obliged to practice economy, I thought I would learn something that would enable me to continue the habit of my life; but when I reached this assemblage, a very costly banquet—I make no point of that, because my friend paid for the ticket—I think I can say that there were several billions of dollars represented around those tables, and a speech was made in favor of a sales tax, and the leading speech was made by a broker who is said to be the largest broker in the world, and to have transactions in a single day which frequently equal \$50,000,000. He is not at all a bad citizen. He is a good broker. That is the best and the worst you can say of him."

"But, viewing the question from his standpoint, it was but natural that he should think in the terms of his clients' interests,

and his clients were the great institutions engaged in floating vast blocks of stocks and of bonds; and as they filtered through his office, of course they paid some tribute on their way to the ultimate consumer, the customer who buys these securities. When he told that multitude of a plan that would distribute the taxes everywhere so that everybody would have to pay, so that there would be no escape, and that the taxes would not be paid by the great institutions of the country but would be borne by the entire mass of the people, the champagne glasses were put upon the table and highballs sat unconsumed while the assembled enthusiasts cheered the sentiment to the echo."

"SHIFT BURDEN TO POOR"

"Of course, he said, the tax was passed on, like all taxes; therefore it might as well be paid by the common people at the beginning as at the end, in one way as in another; and then he told us in the next breath, as we have been told on this floor, that the burden upon business is so great that business can not prosper; that is to say, they tell you in one breath that business does not have to pay the tax at all, and in the next breath they tell you that it is so oppressive that business can not live if you exact it. Now, you can not have both ends of that argument. If the tax is passed on it hurts nobody; particularly it does not hurt the man who first pays it and passes it on. If the tax is not passed on, then the other argument fails and it becomes apparent that the common people of the land who have but little pay only a little, while those who have much must pay in proportion to their wealth."

"That was the initial movement; it was, if you please, the kick-off in the great game that was proposed to be played which had for its purpose the removal of excess-profits taxes, surtaxes, and corporate taxes."

"Senators may vote to table this amendment [on excess profits] when it comes up; but I repeat, every man who votes to table it will vote against it * * * will cast a vote in a way to save himself from a direct vote; but if he does it he will vote to kill the soldiers' bonus, and at the same time he will vote to take off the excess-profits taxes, and that would be worse than to vote directly on the proposition."

I have quoted from a soldier's magazine that in turn quotes from the official CONGRESSIONAL RECORD containing the debate in the Senate. Whatever we may think of the general sales tax or the excess-profits tax, is it not time to pause and reflect on the Canadian record and the political situation we are inviting in this country by adding a sales tax to the soldier's bonus bill?

THE ANTISALES TAX VOTE

This sales tax was rejected by Congress when the revenue bill was passed a few months ago and received slight consideration then because it has always been a disappointment in estimates and in equity. In France revenues per month fell to 43 per cent of estimates within less than a year, and fell in Canada to 57 per cent of estimates according to report. The tax is a tax on the living wage, and the poorest man who walks the streets out of work and the rich man find a common level for the first time financially in this consumption tax. Politically they also stand on the level. I have quoted from farm organizations representing in membership between three and four million adults, which membership is against a sales tax, if the representatives speak for the membership. I have quoted from the highest officials of organized labor and of the railways representing a combined membership of several million adults, all of whom have reason to oppose a sales tax on the living wage. From seven to ten million adults and their families reaching one-half of the total vote conservatively may be estimated to be the combined farm and labor vote opposed to a sales tax or a tax on consumption, if that vote is cast as it was in Canada.

When wealth is anxious to shift its income tax over to the consumer, even as it has shifted \$500,000,000 taxes this year, it is well to ascertain what interest organizations now urging a sales tax have in the matter. These questions were discussed in the RECORD of January 3. If it be a fact that farming and labor interests have a combined adult population of 10,000,000 people or more at a modest estimate, their influence may be measured if they feel the consumption tax is now being aimed at them to relieve wealth from its fair share of taxation.

At a late moment I insert a letter written to every Member of the House by a number of Members that gives further reasons for opposing any sales-tax provision to the bonus bill.

THE SALES TAX IS FUNDAMENTALLY WRONG

The letter is as follows:

"DEAR COLLEAGUE: We, the undersigned, who favor the soldiers' bonus bill, urge you not to consent to any manufacturers' or other sales tax as a means of raising revenues for meeting this obligation. We believe the economies effected by this Congress in the ordinary governmental expenses, together with the very substantial reductions to be made in the appropriations for the Army and Navy as a result of the disarmament conference, will very nearly provide the money with which to meet the cash payments as contemplated under the provisions of H. R. 1. It is estimated that something more than \$100,000,000 in addition to the above savings will be needed annually for the next two years to meet the bonus, after which the revenues will be ample to meet all demands."

"This \$100,000,000 annually, or \$200,000,000 if need be, can easily and readily be raised by the issuance of short-term certificates. You will recall that the Treasury Department a short time ago placed upon the market short-term certificates in the amount

of \$400,000,000, and the records disclose the subscriptions for this issue were approximately \$1,200,000,000, or three times the amount of the issue. Neither during the time these certificates were being sold nor since has there been the slightest indication of an adverse effect upon the money market, but instead it is since then the country has witnessed the greatest strides toward the return of normalcy. The report of the Comptroller of the Currency indicates a constantly increasing improvement in our financial affairs. Consequently we believe there is undue alarm as to the possible effects of an issue of short-term certificates in order to meet the demands of the bonus.

"The President believes the ex-soldier should be paid the cash bonus all at once and that it should not be spread over a number of payments. This would require an expenditure of \$1,500,000,000 within the next two years. He suggests a general sales tax as a means of raising this sum. Clearly, if this amount of money is to be raised by this means in one year or two, the tax must be applied to everything, including the actual necessities of life.

"Just how this tax works out in fact is best exemplified by the Canadian sales tax as applied to sugar. In Canada sugar is produced under almost exactly the same conditions as in the United States. They produce beet sugar in large quantities, and cane sugar is imported from the Tropics and refined. The expense of these operations is on a standard with similar operations here. In January sugar was retailing at 10 cents per pound in Canada and 6 cents in the United States. The tax there is a semi 1½ per cent turnover. The manufacturer or importer is taxed 1½ per cent and the jobber 1½ per cent—in all, 3 per cent. Three per cent on 6 cents—the price of sugar where the sales tax does not apply—is 1½ mills; and if the amount of the tax only was collected from the consumer, the Canadian would be paying \$0.0618 per pound for his sugar instead of 10 cents. When the merchant sells 100 pounds of sugar and collects the tax thereon, he collects 18 cents for the Treasury and \$3.82 for himself, the jobber, and the wholesaler, or more than twenty-one times the amount of the tax. And yet certain people proclaim this a 'painless' tax.

"Ninety millions of our people, whose income is below the income-tax level, have an average annual income of less than \$350. These 90,000,000 will pay 85 per cent of the revenue derived from a sales tax in addition to the billions which will go to the manufacturers, jobbers, and retailers as a result of such tax. Millions are out of employment, and the farmers of the country are in dire straits. To add to their burdens would be a calamity.

"Wall Street is openly in favor of a sales tax, according to an afternoon paper. It is known that back of the propaganda with which the country has been flooded during the past two years are the strong manufacturers' organizations. If this tax was to be absorbed by the members of these organizations, would they be advocating it? We think not. We believe they recognize fully that a sales tax is an ideal method of further increasing profits.

"We wish also to call your attention to the fact that if a sales tax is placed upon the statute books for the purpose of raising funds for the bonus, it is going to be but two years until the revenues raised in this manner can be no longer used for this purpose. The bonus will then have been paid. We believe that when this time comes it will be most difficult to repeal such a law, for the reason that every special and favored interest in the country will demand its retention, and also insist that the tax on wealth be further reduced. When this is accomplished the process of the shifting of the burden of taxation will be complete.

"We believe the sales tax to be fundamentally wrong and that it will never be countenanced by the American people.

"If the Ways and Means Committee should report out a bill carrying this tax feature, and a special rule which in any way abrogates the right of any Member to offer amendments to the tax provision should be presented to the House, we earnestly ask that you vote against such a rule. If there is to be a tax provision in the bill, it is extremely important that there should be a full and free discussion as to what this provision shall do.

"Respectfully yours,

"Horace M. Towner, C. Frank Reavis, M. E. Rhodes, Florian Lampert, Oscar E. Keller, Edward E. Browne, John M. Nelson, A. P. Nelson, M. Clyde Kelly, Henry E. Barbour, Joseph D. Beck, Royal C. Johnson, L. J. Dickinson, John I. Nolan, Edward Voigt, Roy O. Woodruff, Louis C. Cramton, Phil D. Swing, W. Frank James, James A. Frear, John C. Ketcham, L. M. Gensman, Robert E. Evans."

In view of the fact that this bill may be squeezed through the House notwithstanding its peculiar character and later meet with the fate it deserves in the Senate, I am submitting further testimony for the use of the latter body in case the eminent authorities at the other end of the Capitol should desire any arguments beyond good judgment that would seem to reject any sales tax now or at any other time when it is recognized that it violates every principle of taxing those according to their ability to pay and is based upon the necessities of the taxpayer placing the poorest consumer in the proud position of an equal taxpayer with Rockefeller who lives on shredded wheat and the simplest food.

I now quote from a speech of January 31, 1921, found in the RECORD of that date, and if by chance a portion of the testimony I have given should be repeated it will be unin-

tentional but may serve to further remind us of facts which may have been forgotten.

A portion of the discussion is given to a turnover sales tax, as well as the manufacturers' sale tax now before us, but the principle is the same, although the manufacturers with smaller pyramiding does not present all the difficulties and injustice of a turnover tax.

A WAR SALES TAX DURING PEACE

Propaganda for the passage of a consumption sales tax by Congress is vigorously being waged. The stakes are \$800,000,000 now paid from corporation excess profits that would then be shifted to the backs of 100,000,000 people, who must consume in order to live. Should this tax be shifted?

Mr. FREAR. I desire to express the embarrassment of trying to discuss a question that ordinarily would take an hour and a half or two hours in the time allotted to me, which must be apparent to every Member of the House. We have a peculiar legislative situation in the House, that men can get recognition to speak only on general supply bills except by unanimous consent. When the supply bill is under discussion, objection is often made that we can not speak at that time on matters that are of the most vital importance to the Government but must confine our remarks to the bill. Think of the absurdity of this position of an intelligent body of men acting here on behalf of their constituents and for the country under such circumstances. [Applause.]

Mr. Chairman, the proposition that I desire to discuss is one which proposes to repeal the present tax involving \$800,000,000 under the excess-profits tax, and imposing in lieu thereof a tax of \$1,000,000,000 by what is known as a sales tax known as the turnover sales tax. Every man in this House should be informed on that subject before he votes, and there is no way under heaven in which you can learn the facts except by some one digging into them and ascertaining what laws are in effect in other countries, and whether those laws have been effective or not.

I will say this briefly, that there have been several men here before the Ways and Means Committee, intelligent men, very able men, advocating the enactment of a general turnover sales tax, which, as you know, is imposed in Germany and in the Philippine Islands and in Mexico, the only three countries that impose it effectually. There they tax the sugar and tea and everything that they eat and drink on every turnover that may be had. The ablest body of men that has met in this country to consider this subject, known as the National Industrial Tax Board, has brought in a report showing how entirely objectionable that system would be for this country. The United States Chamber of Commerce, through its tax board, acting intelligently and weighing all the arguments, has brought in practically a similar report, which I will incorporate in my remarks.

Mr. MADDEN. Will the gentleman tell how many turnovers there are?

Mr. FREAR. I will. There are practically 9 turnovers in the case of cotton goods and woolen goods, 8 turnovers in the case of leather goods, and 7 or 8 in the case of steel—that is, from the original ore up to the time of the finished article. What applies to these articles applies with equal force to almost everything we use. In other words, this proposed tax of 1 cent on each turnover has to be applied from 5, 6, and 7 to 9 times.

But that is not the worst. You will find that in many cases where the present tax on luxuries is imposed they have raised the price of the goods sometimes 400 per cent during the different turnovers.

Mr. Chairman, our Government is facing an annual tax burden five times the size of its pre-war expenditures. During the recent war large receipts were had from excess-profits taxes on corporations and on personal income taxes due largely to the surtax. Congress now is facing a well-organized propaganda, based on assumed economic arguments, for the repeal of the excess-profits tax and for a reduction on income surtaxes. Another extensive, well-organized propaganda exists which demands the passage of a turnover consumption tax law with a sweeping tax on all necessities of life, which bill is pressed for passage by Otto Kahn, Julius Bache, Myer Rothschild, and others who have appeared before the Ways and Means Committee urging a turnover sales tax. Practically no opposition arguments have been presented to the committee.

Only limited study has been or can be given this vastly important subject by the average Representative in Congress, and I am not assuming to speak against a sales tax from the standpoint of a tax student or tax authority, but from the viewpoint of a layman and legislator whose responsibilities are equally due to the banker, broker, and bricklayer, the capitalist and cobbler, the financier and farmer, the manufacturer and machinist, the teacher and day laborer, all of whom to a greater or less degree will help pay the \$5,000,000,000 annual tax hereafter to be collected.

I desire to place before you the views of recognized tax students and authorities and shall intrude my own observations only briefly and for the purpose of calling attention to matters that have seemed to me worthy of consideration; but first as to the problems before us.

Mr. WILSON of Louisiana. Will the gentleman yield?

Mr. FREAR. I yield to the gentleman.

Mr. WILSON of Louisiana. Does the gentleman discuss also the final sales tax?

Mr. FREAR. I will say that the final sales tax has not been pressed upon the attention of the Ways and Means Committee,

for the reason that it brings in such a small income comparatively. We have what is called a final sales tax, of course, with the luxury tax to-day, but it is only a small producer of revenue. We need to raise a billion dollars or thereabouts by taxation to meet not only the repeal of the excess-profits tax, if we repeal that tax, but also to lower the surtaxes on personal incomes. That has been urged strongly, and it is something that may really have to be brought about, because to-day those who are paying high surtaxes are investing in tax-exempt securities.

Mr. WILSON of Louisiana. If you raised the same amount of money by a final sales tax, would not the final sales tax be just as objectionable?

Mr. FREAR. Yes. They pyramided each time there is a sale made, and it reaches an enormous amount of money.

Mr. McCLINTIC. Mr. Chairman, I raise the point of order that the gentleman is not speaking to the question.

The CHAIRMAN. The point of order is overruled.

Mr. FREAR. Of course, any Member can block the wheels in this House unless we pass a resolution to stop it. This is a most important proposition affecting the rivers and harbors bill. It deals with the raising of funds to provide for the rivers and harbors, to provide for the railroads to function, and to run every department of Government, a question which every one of us is interested in, and the gentleman ought to know that it is directly in point, and not subject to his point of order.

CONSUMPTION SALES TAX AND SOLDIERS' BONUS BILL

Mr. Chairman, constant assaults on the excess-profits tax law from all directions indicate it is a friendless waif, not popular with those whose profits it has heretofore divided for the support of Government and it also seems probable, judging from opposition expressed against any new form of tax, that no substitute will meet with general approval. One tax is insistently urged upon Congress in case the excess-profits tax law is repealed. It is known as a consumption turnover sales tax and was vigorously pressed on the Ways and Means Committee last session in an effort to make it part of the revenue plan that was to provide for financing the soldiers' bonus bill, which bill finally passed the House.

At that time, after a short but sharp contest, a Republican caucus rejected a sales-tax plan which in effect proposed to compel ex-service men to contribute through such tax to their own use. The measure was rejected as stated and other means of raising revenues were then adopted. The head of the same consumption sales-tax plan has again been raised, and it is now financed by large interests that seek to escape their full share of taxation. Ex-service men and women and every other man and woman in the country are to be called upon to contribute to this sales tax, although no return is now offered them directly or indirectly.

WHAT IS A TURNOVER CONSUMPTION TAX?

It is a reminder of the small boy's description of a toothache, "an abomination in the eyes of the Lord that does no man good." However, a consumption turnover tax will do everybody—good and plenty. It is a tax levied on every pound of sugar, salt, and starch that goes into family use from the growing of the sugar beets to its purchase at the store, on every pound of flour and other food, on every pound of meat from the farm to the packer and back again, on every pound of tea or coal, on every garment from the hat down to shoes and stockings, or, like an old-time description of a tariff bill, it is a tax from the cradle to the coffin. Every sale of wood from the owner to the logger, to the millman, to the cradle or coffin factory, to the wholesaler, to the retailer, and finally to the customer who pays the tax on every turnover with several times added for good measure, until the actual cost and actual tax join in a free-for-all price raising for the 105,000,000 consumers who will pay an equal share of the increase. The wealthiest and poorest will pay the same tax, because a turnover sales tax plays no favorites from Vanderbilt to the humblest beggar when both must eat or starve.

During 1918, one person in this country paid on an annual income of over \$5,000,000, two on between \$4,000,000 and \$5,000,000, 11 on between \$2,000,000 and \$3,000,000, 49 on between \$1,000,000 and \$2,000,000, and 179 others on incomes between \$500,000 and \$1,000,000. Under a turnover tax these people would turn over the same amount of tax for the same food, drink, and wear, as the poorest in the land. Fraud in omitting to report sales, which will be general, would penalize only the consumer. Administration by the Government would become a hopeless task, judging from past experience, when every seller levies the tax with a generous margin on the goods sold whether the tax is reported or not. It is neither a just, equitable, nor enforceable tax, and I desire to present proof of these charges against the criminal at the bar—a turnover consumption tax.

Let me place before you the best thought of the country that unqualifiedly condemns and convicts a sales tax and present some facts which are not based on theories but comes from men whose judgment we may well respect.

First, I will give the conclusions of the leading economic-tax investigation that has taken place since the war. The body making this report is not composed of farmers, laboring men, or others who would unanimously condemn a sales tax if given opportunity to do so. The National Industrial Conference Board is composed of 25 affiliated industrial organizations representing cotton, woolen, metal, boot and shoe, pig iron, and others that have a capital invested of several billions of dollars, in the aggregate,

and employ several million men. No organization can speak with more force from the standpoint of national industry or aided by better expert advice. Other high authorities will be found to sustain the industrial board's findings.

Second. The arguments and influences now urging a consumption turnover tax will be presented.

Third. Testimony of individual tax experts opposed to a sales tax will be offered, men whose judgment is of great value in solving the greatest tax problem that ever confronted this Government in time of peace.

REPORT OF TAX COMMITTEE, NATIONAL INDUSTRIAL BOARD

Mr. Chairman, I quote first from a report of the tax committee of the National Industrial Conference Board on the Federal tax problem, December, 1920. The report says:

"Various advocates of a general turnover tax estimate that a 1 per cent tax on all turnovers would produce from \$1,500,000,000 to \$5,000,000,000. If the tax is limited to 1 per cent on the turnover of goods, wares, and merchandise alone, the estimates go down as low as \$750,000,000. * * * It has been suggested that bankers, brokers, and commission men should be taxed not on their sales but on their commissions or gross profits."

If a 1 per cent turnover tax were imposed upon each step in the cotton, leather, and steel business, it would carry separate tax on each of the following turnovers, according to the report:

"Cotton"

- "1. Raw cotton to gin.
- "2. Gin to spinner.
- "3. Spinner to mercerizer.
- "4. Mercerizer to dyer.
- "5. Dyer to weaver.
- "6. Weaver to finisher.
- "7. Finished cloth to wholesaler.
- "8. Wholesaler to retailer.
- "9. Retailer to customer."

"Leather"

- "1. Farmer to cattle buyer.
- "2. Buyer to hide dealer.
- "3. Hides to tanner.
- "4. Tanner to leather merchant.
- "5. Leather merchant to shoe manufacturer.
- "6. Shoe manufacturer to jobber.
- "7. Jobber to retailer.
- "8. Retailer to customer."

"Steel"

- "1. Iron ore to smelter.
- "2. Smelter to manufacturer of ingots.
- "3. Manufacturer of ingots to manufacturer at rolling mill.
- "4. Steel manufacturer to tool manufacturer.
- "5. Tool manufacturer to wholesaler.
- "6. Wholesaler to retailer.
- "7. Retailer to customer."

These steps may be enlarged and the 1 per cent tax on each tax may be doubled and quadrupled, as illustrations later quoted will disclose.

THE TURNOVER SALES TAX

[From report of tax committee of the National Industrial Conference Board]

"1. The advocates of such a tax claim that it will in nearly every instance be shifted. If so, the tax could not be defended upon the grounds of social justice, because it would then fall with a force unequal to their ability to pay upon those least able to bear the burden. It would, in fact, be 'a tax against the living wage.'

"2. It is claimed by the proponents of such a tax that not only will it generally be shifted but that the exact amount of the tax would be passed on to the consumer. What ground is there for the assertion that a turnover tax imposed on each of many transactions all the way to the raw material will not be loaded just as often as a specific tax of a fixed and known amount? If \$1,500,000,000 or \$3,000,000,000 should be collected from a sales tax levied on each turnover, would not this amount be loaded heavily?

"3. From the business point of view the uncertainty as to whether the (sales) tax would be shifted is most serious. The committee can not accept as conclusive the assertion that this tax would be passed on or that in the cases in which it was not passed on the tax is so small that the effect would be slight. A 1 per cent tax on sales would in many cases be more than a tax of 30 per cent or even 50 per cent of net income. If any great proportion of the billion or more dollars which is to be raised by such a tax would have to be paid by business which could not pass it on, the result would be widespread ruin and disaster.

"4. Whether or not the tax could be shifted, it would tend to encourage changes in business practices which are not in accordance with the economic development of the country. Many classes of so-called middlemen who perform a service which is well worth what it costs would be driven out of business. Devices to get around the tax through the avoidance of technical sales would be multiplied.

"5. In cases where it is not shifted in its entirety, a tax imposed upon all sales or upon the turnover of a business becomes to that extent a tax on gross income.

"The inequity of a tax turnover on gross income as between a business which turns its capital once in several years and another which turns its capital several times a year, provided the tax can not be shifted, is too great to be borne.

"6. The advantage which a business enterprise carrying on several consecutive processes in the manufacture or distribution of a commodity would have over other enterprises which were not so self-contained, due to the pyramiding effect of a sales tax at each turnover, is little realized until concrete cases are examined and compared, as has been done by the committee."

After illustrating seven turnover taxes from iron ore to the finished steel tool the committee's conclusion is reached: "In cases in which the taxes could not be shifted a pyramided tax might often prove ruinous."

"7. No dependable calculations have been submitted by its proponents as to the amount of revenue which such a tax would produce. Estimates by different parties range from \$5,000,000,000 down to \$1,500,000,000 for a 1 per cent tax on all turnovers and down to \$750,000,000 for a 1 per cent tax on the turnover of goods, wares, and merchandise alone. It is suggested that bankers and brokers should be taxed not on their sales but on their commissions or gross profits. If this is so, why should a wholesaler whose gross profit on each individual sale may not be larger than the banker's pay a tax on his entire sales? (Who suggested?)

"8. The administrative difficulties involved in a turnover sales tax are but little appreciated by those who have not had close practical experience with the administration of a tax national in its scope. The administration of such a tax would raise serious problems, and the number of taxpayers would be so greatly increased that it would probably be difficult to prevent wholesale evasions.

"9. It would be economically unsound.

"10. While the committee has not allowed political expediency to influence its conclusions, political opposition to a sales tax must be given serious consideration."

The foregoing are brief extracts from findings of a committee of experts representing the greatest industrial organization in the country. It is notable that eight reasons are given why a sales tax would injure or destroy different manufacturing interests and two reasons are given as to its unsoundness economically and politically.

REPORT OF THE SPECIAL COMMITTEE ON TAXATION OF THE CHAMBER OF COMMERCE OF THE UNITED STATES

It would seem that no careful legislator will be deluded by the arguments of a handful of financially interested advocates of a turnover sales tax, and the objections already presented are unanswerable; but another organization, the Chamber of Commerce of the United States, has aimed to give the same service to Congress on the same vitally important tax problem, and through its committee of nine tax authorities has also announced its findings on a turnover sales tax. The report of its committee against this tax is unanimous. I quote at some length because of the recognized high standing of this country-wide commercial organization:

"A CONSUMPTION TAX—DIFFICULTY OF ADMINISTRATION

"Various arguments have been brought forward in support of a sales tax, but in the opinion of the committee these arguments are overcome by important objections to any attempt to use such a source for Federal revenues. In the first place, the application of any of these taxes and its successful administration would not be so simple as is often supposed. In declining markets and under conditions of close competition turnover taxes would frequently have to be borne by the seller, and in many instances might for him be an added cause of loss. Even if passed on through addition to the price paid by the buyer, it would almost inevitably be pyramided, causing material increases in many prices paid by consumers.

"RUINOUS EFFECT OF PRICE PYRAMIDING

"There are still more fundamental considerations weighing against such a tax. One of the objections to the excess-profits tax would apply with added force; this is uncertainty in yield of revenues, for gross sales fluctuate more widely than net income. If any form of turnover tax were imposed it would result in advantages for large industrial undertakings which begin their processes with raw materials and carry them through to the finished product; such integrated industries would be subject to the tax but once, whereas their smaller competitors, acquiring materials from independent sources, would have the tax in their prices several times and probably increased in effect through pyramiding. Finished articles imported from abroad would have a similar advantage over domestic manufactures.

"REPUDIATES PRINCIPLE OF TAXING ACCORDING TO ABILITY TO PAY

"Perhaps the greatest inequity, however, would appear in the proportionate results of any of the taxes here under consideration upon the person with small income as compared with the person of large income. At the bottom of the economic scale are persons whose income barely suffices to provide them with necessities of the poorest quality and in the smallest amount, and at the other end of the scale are persons whose expenditures for necessities, no matter how large, represent but a fraction of their income. Any tax falling upon general expenditures is consequently disproportionately heavier for persons of smaller incomes as compared with persons of larger incomes. To the extent sales taxes of the sorts that have been suggested were used as a general source of revenue there would be a departure from the principle that taxes should be levied in accordance with ability to pay.

"OF DOUBTFUL LEGALITY

"Finally there would seem to be legal difficulties in the way of a general sales tax. Opinions handed down by the Supreme Court

in March and June of this year make it clear that such a tax is not authorized by the income-tax amendment to the Constitution. Whether or not it would be held by the courts to be an indirect tax is uncertain; if it were held to be a direct tax, it would, under the Constitution, have to be apportioned among the States in accordance with their population, an obviously impracticable procedure. Reliance for revenues in large amount should not in any event be placed upon a tax regarding the legality of which there is doubt."

MEN WHOSE REPORTS CARRY WEIGHT

The character of the National Industrial Board tax committee, that prepared a long, comprehensive report, may be ascertained from the following personnel:

- "F. R. Plumb, chairman, Philadelphia.
- "C. A. Andrews, Gloucester, Mass.
- "J. A. Emory, Washington.
- "R. C. Allen, Cleveland.
- "Wilson Compton, secretary N. L. M. Association.
- "F. W. Lehmann, Kansas City.
- "H. C. McKenzie, Walton, N. Y.
- "M. W. Alexander, New York City.
- "A. G. Duncan, Boston.
- "E. P. Hazzard, Gardiner, Me.
- "Paul Armitage, New York City.
- "J. J. Forstall, Chicago.
- "L. F. Loree, New York City.
- "H. H. Smith, Tulsa, Okla."

The committee that signs the tax report for the Chamber of Commerce of the United States is—

- "R. G. Rhett, chairman, Charleston, S. C.
- "Arthur Anderson, Chicago.
- "J. H. Gray, Northfield, Minn.
- "J. L. Laughlin, Boston.
- "T. B. Stearns, Denver.
- "R. G. Elliott, Chicago.
- "F. R. Fairchild, New Haven.
- "J. I. Straus, New York City.
- "E. W. Stix, St. Louis."

The importance of interests represented and ability of these men will not be questioned by anyone who examines their respective reports.

Mr. Chairman, it must be kept in mind that these business interests are acting for their own protection because of the uncertain character of a turnover consumption tax. When it does not shift, it threatens the industry compelled to pay it; and when it shifts to the consumer, he is unjustly compelled to pay a tax now paid out of corporations' excess profits.

The authorities quoted will carry weight to most minds of the absolute danger attending a turnover consumption tax.

EXPERTS WHO CAN BEST TESTIFY

Another list of authorities can be quoted whose names are legion. They consist of the farmers, clerks, skilled and common labor, housewives, and others not enumerated, who are glad to earn enough to get food and clothes and to give their children a common-school education. They are the ones who will be called upon to pay 90 per cent and over of the proposed consumption taxes now paid by corporation excess profits and high supertaxes on personal incomes.

Any advocate of average intelligence can safely take his case to this class of experts and secure a verdict against a turnover consumption tax nine times out of ten, either in a judicial, legislative, or political forum, and the tax, if passed, will be tried out without doubt by the last-named court, and the one of last resort—the people at the first opportunity given to register their disapproval at the polls.

WHOM DOES CONGRESS CONSULT IN REVENUE LEGISLATION?

Presumably no more reliable adviser for Congress on revenues exists than the Secretary of the Treasury, whose duty it is to properly and economically collect revenues and carry on the fiscal policy of the Government. He has for his advisers Government tax experts and men of nation-wide reputation without private or personal ends to protect or advance. He is concerned in both revenue to be obtained and method of administration. In his 1920 annual report Secretary Houston condemns a proposed sales tax, as follows (p. 28):

"In the Treasurer's opinion there are many grave objections to a sales tax. Further consideration of the subject has convinced me that a general sales or turnover tax is altogether inexpedient. It would apply not only to the necessities of life—the food and clothing of the very poor—but it would similarly raise the prices of the materials and equipment used in agriculture and manufactures. It would confer in effect a substantial bounty upon large corporate combinations and place at corresponding disadvantage the smaller or disassociated industries which carry on separately the business operations that in many combinations and trusts are united under one ownership. The group of independent producers would pay several taxes, the combinations would pay only one tax. Finally, it would add a heavy administrative load to the Bureau of Internal Revenue which * * * is already near the limit of its capacity. Simplification of the tax laws and restriction rather than extension of its scope are as important from the standpoint of successful administration as from that of the taxpayers' interests."

ADMINISTRATION OF A GENERAL SALES TAX

Mr. Adams, a Treasury income-tax expert, says on this point in the Ways and Means Committee hearings:

"If you have the income tax with all the necessary difficulties and you have the corporation tax with all its necessary difficulties and you have the principal present consumption taxes, it is going to be a dangerous thing from an administrative standpoint to add a general sales tax, which will bring in possibly a million new taxpayers to take care of, together with all the added complications of a new and nation-wide tax * * * (p. 28)."

His replies to questions of administration are illuminating:

"Mr. FREAR. How many employees does the Treasury Department have engaged in this particular work (collecting taxes)?"

"Doctor ADAMS. I shall have to ask you to let me put that figure in the record (these figures, p. 36, show 18,440 employees)."

"Mr. FREAR. What would be the number of employees required in addition to cover the final sales tax in checking up?"

"Doctor ADAMS. That depends entirely upon the accuracy with which these reports were checked. You can simply put a sales tax on the statute books and leave it to enforce itself, and it doesn't require very much force to handle it."

"Mr. FREAR. But you spoke yesterday of the different forms, and that is my reason for going back to it."

"Doctor ADAMS. And that ought not to be done. We are experiencing a perfectly enormous amount of evasion with respect to some sales taxes, such as are imposed by section 630, the soda-fountain drinks and taxes of that kind, because we haven't got an adequate force to check them up and supervise them."

A 100 PER CENT INCREASED PRICE FOR SOFT DRINKS

It is certain that a 1 per cent turnover sales tax would be pyramided, so that in a half dozen or 10 turnovers the padded price in each turnover sale would make a ballooning of prices as wild in character and as burdensome in effect as were war-time prices. Two or three illustrations are readily available.

During a hearing before the Ways and Means Committee December 21, Senator Hardwick, now Governor of Georgia, was discussing the effect of a luxury tax on soft drinks, when the following facts were developed:

"Mr. HARDWICK. Bottled goods that have a standard and uniform price throughout the country of 5 cents were immediately increased to the consumer (after levying of a 1 per cent luxury tax or one-half cent tax on 5-cent sale) until the article that formerly sold at 5 cents cost the consumer 7 to 10 cents * * *."

"Mr. FREAR. Wouldn't that apply, Senator, to the sales tax ordinarily; that is, without relation to the exact tax which the seller will be obliged to pay? He will place upon goods a price that will make even change."

"Mr. HARDWICK. I have no doubt in my own mind, speaking personally, that that is true, and I understand that the gentleman who presented the matter to your committee yesterday admitted that when that is passed on, ultimately, it always gains a little, like the snowball going downhill in wintertime * * * (p. 135)."

"Mr. FREAR. You say that these soft drinks were formerly sold for 5 cents?"

"Mr. HARDWICK. Yes, sir."

"Mr. FREAR. Then what tax was added by Congress?"

"Mr. HARDWICK. Ten per cent."

"Mr. FREAR. Then the same soft drinks were sold for 10 cents?"

"Mr. HARDWICK. They were sold at from 6 and 7 to 10 cents."

"Mr. FREAR. In that case they added ten times the tax did they not, if sold for 10 cents?"

"Mr. HARDWICK. Undoubtedly."

This increase of 100 per cent in price and 950 per cent tax increase is submitted of the workings of a sales tax.

HOW IT WORKS NOW WITH CIGARS, 400 PER CENT TAX INCREASE

Equally to the point and almost as greatly padded is the proposed price of a cigar from 8 cents to 9 cents, because of a suggested increase in duty of \$2 a thousand, or one-fifth of a cent for each cigar. The following from the hearings of January 21 before the Ways and Means Committee illustrates the same evil:

"Mr. LONGWORTH. How much would you add to cover that fifth of a cent (\$2 a thousand additional duty)?"

"Mr. KRAUSS. We have no medium of exchange for selling goods at fifths of cents."

"Mr. LONGWORTH. How much would it add per cigar? As a matter of fact, you would add 2 cents, would you not, or would you add a cent? How much would that add to the retail price? It would probably add 1 cent, so that there would be a profit of four-fifths of a cent to the cigar?"

"Mr. KRAUSS. Not to the manufacturer; probably to the dealer."

"Mr. LONGWORTH. If the duty was added, that would be one-fifth of a cent for each cigar. According to you that would add 1 cent to the selling price to the consumer, or make a net additional profit of four-fifths of a cent?"

"Mr. KRAUSS. Yes; provided you have those units to work with."

"Mr. LONGWORTH. * * * And you say that would add 2 cents to the cost of a cigar?"

"Mr. KRAUSS. I did not say 2 cents, I said probably 1 cent, because there is not any intermediate method of exchange."

Mr. Chairman, that principle could be and undoubtedly would be applied to every turnover sales tax where the amount of tax was too small to have any other "intermediate method of exchange."

It must be remembered that the soft-drink and cigar tax was not levied until the sale was made by the wholesaler or retailer to the customer, and these sales did not involve more than two

turnovers with only one tax, whereas the proposed turnover sales tax sought to be enacted into law would mean a tax levied and collected on from 8 to 10 turnovers in some instances, as have been heretofore disclosed.

Nothing need be added by way of argument to show how vicious and mischievous a turnover sales tax is certain to be when nothing prevents the cupidity of the seller, on the one hand, from taking advantage of the necessity or ignorance of the consumer, on the other, with a well-founded possibility that wholesale evasions of the tax or neglect to report will ensue, as stated in findings of the National Industrial Board's committee.

TAXING AND PADDING FROM PRODUCER TO CONSUMER, 400 PER CENT INCREASE

Only one further illustration will be offered. When the railway bill was before Congress last session, Director General Hines stated that an increase of \$875,000,000 in freight rates would mean an increase to the consumer of \$4,375,000,000, or 400 per cent increase, because, as stated by Chairman Woolley, of the Interstate Commerce Commission, "The shipper passes this along to the consumer and on back to the producer of the raw material, who has to stand the cost of transportation."

The effect of increased freight rates that has served to prevent any reduction of ordinary commodities to pre-war prices from a riot of padding and ballooning of prices is also made possible in a sales tax under the beneficent consumption turnover tax plan.

SALES TAX LAWS, WHERE AND HOW ENFORCED TO-DAY

Without attempting to set forth specific terms or scope of existing sales tax laws it is noted that—

Canada's sales tax law of 1915 (assented to July 1, 1920) provides for a tax on banking and negotiable instruments. The tax is laid on final sales of various luxuries and on high-priced wearing apparel not ordinarily worn by 10 per cent of the people with a minimum price fixed by law above which the tax applies. A tax also is collected on goods sold by wholesalers and jobbers, but not on plain foodstuffs.

The French turnover tax (1920) applies to luxuries set forth in Schedules A and B of the law as distinguished from necessities and is much like the Canadian law, in that it does not reach necessary foodstuffs. The French law was passed by a government with less than one-third the estimated wealth of our own and with a national debt of \$35,000,000,000, or double our own after crediting foreign loans. Its sales tax law, enacted to meet a critical national financial emergency, has been in force less than one year, but actual receipts have only reached about 47 per cent of those estimated by its advocates when the law was passed. Due to many exemptions and presumable difficulty in administration, Canadian receipts from the sales tax in that country are in like manner disappointing.

The Philippine, 1917, Mexican, 1906, and German, 1920, turnover taxes should each and all delight the hearts of Messrs. Kahn, Bache, and Rothschild, leading exponents of the tax here, although the gentlemen named have not found any of these countries sufficiently attractive to renounce citizenship or residence in the United States because of more agreeable tax laws to be found elsewhere.

The Philippine tax has been pointed to as a model for the United States. Industries in the Philippines are largely found in or around its one large city, Manila, and due to isolation of the islands the law is not difficult to administer. This turnover sales tax is a relic of the old Spanish régime, and the tax was also laid by Spain on Mexico. It is a legacy from a government that notably failed in its cruel administration in both these countries, and curiously enough no law of the kind is in effect in Spain. I quote hereafter as to the Philippine and Mexican methods of administration, if to be applied here, based on statement of H. B. Fernald, of New York City, before the industrial tax board (p. 66, hearings).

It is also noteworthy that a statement from Martin R. Browne, of New York, urging the Philippine sales tax on Congress claims the same rate of tax which raises \$7,000,000, or \$1 per capita, in the Philippines will raise \$2,000,000,000, or \$20 per capita, in the United States. In view of the further argument that a sales tax is practically a poll tax based on consumption of each taxpayer, the effect of the argument is clear that the American citizen will pay twenty times as much as the Filipino under the same kind of tax.

Germany's turnover tax law approaches the ideal tax pictured by advocates of the system. Its name there, "umsatzsteuer-gesetz," comprehends several turnovers at the outset. The law levies turnover taxes on sales, both wholesale and retail, but its exemptions thoughtfully cover a number of banking transactions, including exchanges of banknotes, paper money, etc., which exemptions would presumably be urged by "experts" for any law enacted here.

A tax of 1½ per cent on necessities, 15 per cent on sales classed as luxuries, and 10 per cent on all advertisements not connected with public elections in Germany contribute toward the \$57,000,000,000 indemnity burden recently levied by Great Britain, France, and Belgium on a defeated foe, but why should Messrs. Kahn, Bache, Rothschild, or Goldsmith, its advocates here, collect their pound of flesh from the American laborer, whose needs are to be substituted for excess-profits taxes just because that tax is yielded up in Germany through force of arms?

England has repudiated any turnover tax sales law, root or branch. Canada and France are conducting very limited experiments with luxury taxes that are disappointing and irritating in administration and revenue.

The only turnover sales tax laws in governments of comparative importance are found in Mexico and Germany, where the iron hand of revolution has turned over governments and ruthlessly imposed turnover taxes as one of the chief fruits of revolution.

Do we want such laws for the United States? If so, why?

WHO IS PUSHING A SALES TAX?

Let us now examine the "experts" and authorities (?) who are pressing a turnover sales tax on Congress. Singularly enough, none of the 20 members of the tax committees representing two of the largest commercial organizations in the country were called before the Ways and Means Committee to give us the benefit of their study and investigations, nor do these important reports appear anywhere in the hearings, nor has any reference been made to them to my knowledge.

Practically the only witnesses who have appeared before the Ways and Means Committee, aside from Doctor Adams, of the Treasury Department, are Julius Bache, a banker and broker, New York City; Otto Kahn, a banker and broker, New York City; and Meyer Rothschild, also from New York City; although Mr. Klein and Mr. Goldsmith, "accountants," also appear on different phases of the income tax law as it affects their clients.

Few men realize the amount of money that is involved in the propaganda to enact a turnover sales tax that is being sent out. One of the letters that I have says that 300,000 copies of the pamphlet of Mr. Bache's are being printed, as stated. Mr. Bache and Mr. Rothschild are taking part in the propaganda advocating a turnover sales tax. Why? To relieve themselves and their associates from the excess-profits tax which they are paying and from the surtax on their personal incomes.

Mr. LINTHICUM. Will the gentleman yield?

Mr. FREAR. I will.

Mr. LINTHICUM. Where does the gentleman get the information that Mr. Bache is advocating the turnover tax in order to get rid of the excess-profits tax?

Mr. FREAR. If the gentleman will do me the honor to read my remarks in the RECORD, he will find that he specifically says so. I have a number of documents on my desk to that effect.

Mr. LINTHICUM. I think the gentleman is making a rash statement.

Mr. FREAR. Not so rash as the gentleman may believe. Mr. Bache, when asked by the Industrial National Board Committee on Taxation, "How can you lower the consumption tax?" said, in effect, "By not consuming." The people of the United States are to be invited not to eat, not to wear clothes, in order not to pay the taxes he would have levied. He says, in effect, that 11 months of the year the average taxpayer is spending his time trying to dodge taxes. He says of Congress that we are subject to the influences of those who confuse the issue for us. Only Bache and a few others of that type are able to determine difficult taxation questions, according to his views. Let me read briefly from his "review," of which 300,000 copies were printed by an ardent admirer. He says:

"To continue to raise this amount (four to five billion dollars per year) by excess-profits taxes and heavy income taxes means the complete elimination, in our opinion, of the resources of the investors upon whom this country and its enterprises have been dependent. . . . Yet merchants have had to pay out of either income taxes or excess-profits taxes practically all that they have earned over their living expenses. . . . An economic tax should be substituted. There is only one way to escape this and that is through a tax on sales, in which every citizen of the United States as well as any foreigner who may live within our shores will pay equally toward the expenses of the Government."

I could quote many other equally happy thoughts suggested by Mr. Bache.

Another peculiar circumstance lies in the enormous propaganda for a turnover consumption tax, which has been testified to before our committee by Bache and Rothschild and is evidenced by a constant deluge of addresses and pamphlets from Bache, Kahn, and Rothschild in favor of this tax.

For illustration, a letter from the International Tag Co., Chicago, dated January 6, 1921, says of a pamphlet issued by Bache: "We—the International Tag Co.—have reprinted and distributed more than 300,000 of them among business men all over the United States." As I am personally compelled to pay for these remarks, I do not feel able to print over 1 per cent of the number of Bache's pamphlet sent out by the tag company alone. With their great financial connections and well-known methods of propaganda it may be assumed that the costs of financing this consumption-tax propaganda is upward of \$1,000,000, the estimate of an older member of the Ways and Means Committee. Such an investment will give a hundredfold return to wealthy interests concerned if a turnover consumption tax can be substituted for the present excess-profits tax.

DISCREDITED "EXPERTS" FAVOR A SALES TAX

Another peculiar fact is that Bache, Kahn, and Rothschild all urged their proposed turnover consumption tax before the National Industrial Conference held in New York City last October, and they were practically the only advocates of that tax there, and they were emphatically turned down, as shown by the committee report heretofore quoted.

In view of the fact that this is the most important revenue measure ever presented to Congress in times of peace, I repeat that it is strange that the discredited "experts," who may not be experts, who were repudiated by the New York conference of 25

industrial associations, have been practically the only men called before our committee to advise Congress on this vastly important revenue measure.

Where were Plum, Andrews, Zoller, McKenzie, Howard, and Seligman, the last-named a tax expert of international reputation, whereas Bache and Kahn are only New York bankers and stock-brokers who desire to shift their taxes to the shoulders of the multitude? They are not even business men in the broad sense of employing labor.

These New York bankers, brokers, and accountants have appeared before the Ways and Means Committee for the purpose of preventing our feet from going astray. Likewise they have circularized the country repeatedly with their views on excess-profits taxes, which they declare must be repealed, and for a consumption turnover sales tax enacted as a substitute. Due to the air of finality with which they pass upon the duties of Congress and on the "atmospheric" conditions at Washington, a few words are proper to determine the qualifications of these New York "experts" who assume to speak for the best interests of 105,000,000 people whom Congress represents. Criticisms of capabilities, motives, and influences in Congress have been freely indulged in by some of these self-appointed legislative experts and critics, according to propaganda at hand, so that it may be wise to inquire into the surrounding influences and expert knowledge of guides who would direct the feet of Congress in the tax wilderness.

UNIQUE TRAINING OF SALES-TAX EXPERTS

First and foremost is Mr. Otto Kahn, banker and broker; a close second is Mr. Julius Simon Bache, same business; while Messrs. Kline, Rothschild, and Goldsmith, all from New York City, speak in general harmony and all work to the same end—to urge upon Congress the necessity of protecting New York bankers who have been vamped by the excess-profits tax and who see their regeneration only through a consumption sale tax law—consumption, because if enacted into law it will consume a large part of the scanty means of the 100,000,000 people who have no excess profits but whom Congress also represents.

Singularly enough, Germany has no tax system comparable to Mr. Kahn's consumption-tax plan, while Great Britain, which he says has "a wise financial system," holds firmly onto its excess-profits tax. This tax Mr. Kahn wants repealed here, and yet England rejects a turnover sales tax, which he would saddle onto America, the country of his adoption in 1917.

A second tax authority appearing before the Ways and Means Committee, Mr. Jules Semon Bache, banker, began business many years ago with Leopold Cohen, another New York banker. Mr. Bache's disinterested judgment on tax matters will be appreciated from the fact that he is reported in the same Who's Who to be a director in the Cuba Distilling Co.; United States Industrial Alcohol Co.; Anniston City Land Co.; American Indemnity Co.; Empire Trust Co.; First Mortgage Guarantee Co.; International Banking Co.; St. Louis & Western Railroad Co., and so forth. In other words, Mr. Jules Semon Bache, banker, is a very busy man but finds a few spare minutes to tell Congress how to legislate, as I shall hereafter submit. The effect of repealing the excess profits law ought to save enormous profits to the various concerns Mr. Bache represents.

Messrs. Rothschild, Goldsmith, and Kline, from New York, are of the same tax "atmospheric" with Mr. Otto Kahn and Mr. Jules Semon Bache, and their efforts to direct Congress in their spare moments from business duties are entitled to weight proportionate to their disinterestedness and general knowledge of the subject.

SEVERAL HUNDRED BUSINESS MEN VERSUS THESE SALES-TAX "EXPERTS"

Several hundred large business men have been before the Ways and Means Committee urging modification of the tariff during the past month. The number of men who have addressed us reaches over 500. These men represent hundreds of millions of dollars of business investments and employ hundreds of thousands of men. Every business man before us urged upon the committee the fact that he could compete with all other business men here or abroad if given reasonable tariff protection and could make reasonable profits. Not one complaint came from the hundreds of business men so testifying that they were prevented from doing business or unfairly affected by the excess-profits tax. Not one of these men suggested to the committee that a sales tax of any kind should be substituted for an excess-profits tax. The only men who have pressed these arguments on the committee were Kahn and Bache and Rothschild and Goldsmith, bankers and brokers and accountants of New York City, who toll not and neither do they spin, compared with the hundreds of manufacturers and other employers of hundreds of thousands of day laborers mentioned.

Keeping in mind that these last-named New York bankers and brokers are directly interested in shouldering the present excess-profits tax they pay from their own vaults over on the backs of the "people who pay the freight," let me quote their own arguments from the record.

Jules Semon Bache publishes the Bache Review, a weekly pamphlet, which on December 18, 1920, contained this statement sent broadcast throughout the country:

"The atmosphere of Washington is so thick with political misconceptions of things as they really are that it has become a matter of the greatest doubt whether anything sound or sensible can be put through Congress on its merits."

Bache says of his proposals to solve Treasury difficulties by refunding \$2,350,000,000 of certificates and Victory notes:

"So sane and sound a proposition as this was met immediately with befogging objections of politically saturated Congressmen who pleaded the old slogan about breaking faith with the people. * * * It never seemed to have occurred to anyone that it would be easy to fund the whole debt in long-term higher-rate bonds."

Mr. Bache's funding scheme contemplated putting higher-rate Government bonds on the market.

Speaking of different hearings before the Ways and Means Committee, Bache says:

"The most practical and workable advice should go out * * * from the best-informed, soundest, and ablest men, especially business men, who will look at the whole subject from the practical side."

He continues:

"Mr. Fordney is the only one who has given out intelligence of this character."

Which tribute to the chairman members of the committee do not resent, but Bache says further of Dr. Thomas S. Adams, Treasury expert:

"He calls himself a tax expert * * *. His one object besides throwing dust in the eyes of the people on the question of a turnover tax is to find some complicated, difficult, and illogical substitute for the excess-profits tax."

This was written and circulated by Mr. Bache many weeks after he and his sales-tax proposal had been repudiated by the National Industrial Board Tax Committee. But banker and broker Bache finds a ray of hope notwithstanding Adam's attitude, because in his pamphlet he says:

"We understand that although Mr. Fordney stated openly that they would always have Professor Adams present in formulating the new bill, the members of the Ways and Means Committee state on the side that they are not going to pay any attention to him."

Having bombarded Doctor Adams with this 10-inch shell, fired in the name of the Ways and Means Committee, Herr Bache keeps up a machine-gun fire at the committee with other equally unreliable testimony.

"Expert" communications forwarded to Members of Congress from Mr. Bache are supplemented by his statement before the Ways and Means Committee December 17, 1920, from which I briefly quote regarding his proposed sales tax. He says:

"The purchaser does not pay it (the tax) in so much money, but it comes out of the purchase price. You can add it to your price or your bill, but unless the ultimate consumer pays the tax, it is not a sales tax * * * (p. 86)."

"It is not a perfect tax. Now, I am only a student. I do not know the tax. Nobody knows that has not seen it working. * * * It will be paid every month, with the least amount of difficulty in raising the money and making the least amount of trouble in a banking community."

Mr. Bache, however, disclaims protecting the New York banking community by loading their taxes on the farmers, laborers, and public generally, who would pay a consumption tax. He believes the consumers pay this tax to-day, because he says he shifts it through his business methods. A few words from the hearings are illuminating.

"Mr. GREEN. You spoke of making additions on account of the excess-profits tax. Where in the excess-profits tax would you make any corresponding reduction?"

"Mr. BACHE. Frankly, we did not. I would like to explain that in justice to my company. We found that our estimates had been too low before."

"Mr. GREEN. Well, do you know of any company that did?"

"Mr. BACHE. I can only speak of those on whose boards I sit (p. 90)."

"Mr. RAINEY. Taxation has been defined to be a method of getting the most feathers with the least squawking of the goose."

"Mr. BACHE. I agree with that. The sales tax will do that. There is no tax in the world that will ever get so much money (p. 87). If you gentlemen decide that a turnover tax should be tried, and you initiate it at 1 per cent, and you raise \$4,000,000,000, you can simply redeem \$2,000,000,000 of our debt, and nobody will be very much prejudiced (p. 91)."

"Mr. HULL. Your idea, then, is to base this tax and to base all taxes, as nearly as possible, on consumption?"

"Mr. BACHE. Yes, sir."

"Mr. HULL. So that if a ranchman or a herdsman out in the West should consume more than Mr. Rockefeller, he would pay more taxes."

"Mr. BACHE. Yes; if he is foolish enough to do it."

"Mr. HULL. You think that the theory to tax according to ability is unsound?"

"Mr. BACHE. It is unsound in this country * * * (p. 93)."

"Mr. HULL. The corporations made \$10,700,000,000 net for one year (the last three and one-half years)."

"Mr. BACHE. Yes; and you had war to make it for them."

"Mr. HULL. Do you know to what extent organizations are being developed to propagandize its movement and secure the enactment of the (sales) tax?"

"Mr. BACHE. I can not say that I do. I have come in contact with a number of gentlemen in New York who are engaged with retail organizations who have committees. I know that the American Bankers' Association have appointed a special tax committee in connection with this tax (p. 95)."

"Mr. BACHARACH. You have spent a great deal of money yourself? (p. 95)."

"Mr. BACHE. I have spent more than I can afford in view of my taxes, because I am getting out of business and putting my money into municipal bonds as fast as I can" (p. 96).

Mr. Bache is not a philanthropist; he is living in America to enjoy its privileges, its schools, its laws, and its armies that saved his money from German indemnity. He does not intend to pay for them himself. He lives in luxury, makes money protected by our laws—a wealthy banker and broker—and he tells Congress he is placing all his money in tax-exempt bonds as fast as he can, so others may pay his just tax burdens. If ever a capital tax was justified it appears to be found in the case of Jules Semon Bache, who wants a sales tax placed on the 100,000,000 people that make up the great mass of our population in order to save him the inconvenience of making out an excess-profits tax report and paying his share of taxes.

Mr. Bache has no sentiment or false pretenses to offer. He knows what he wants and is not backward in saying so. Although he stood practically alone among many tax experts and business men at the national industrial session in his extreme demands, he now lays down the law he wants enacted with a "me and Gott" emphasis that speaks highly for his confidence in himself, as once did another gentleman now residing in Holland. Bache wants to escape all taxes, excepting on what he eats, drinks, and wears. With his wealth snugly tucked away in safe-keeping, he says, in effect, he will put every dollar in tax-exempt bonds unless we pass his sales tax and cut the surtax in two. This is his ultimatum, and, as stated, one admires a "tag" company, writes Congress it is so captivated by Bache's arguments that it has caused to be printed 300,000 copies of his pamphlet for circulation.

Mr. LAZARO. Will the gentleman yield?

Mr. FREAR. I will.

Mr. LAZARO. How much property is there not being taxed in the United States?

Mr. FREAR. If you accept the statement of Kahn, Rothschild, and Bache, they say the ultimate consumer eventually pays every dollar of the tax himself.

Mr. LAZARO. I am talking about the property that does not bear taxation, property that is exempt from taxation.

Mr. FREAR. The gentleman means exempt securities?

Mr. LAZARO. Yes.

Mr. FREAR. I can not give the gentleman the exact amount, but it runs into the billions of dollars, four or five billion, and it might be more than that. The figures were given me by Mr. Leffingwell, and I will embody them in my remarks. Those are securities that gentlemen are investing in to-day who object to paying taxes, and by that investment they desire to avoid their fair share of the taxes.

Mr. LINTHICUM. The purchase by investors of tax-exempt securities is gradually reducing the returns of excess profits.

Mr. FREAR. Unquestionably, and that is one of the problems the committee will have to contend with. We have got to raise taxes in some way, and the question whether you are to impose it on every man, woman, and child, which would mean a head tax, or secure it from profits is an important question.

I offer the following data from committee hearings of March 11, 1920 (p. 491):

Assistant Secretary of the Treasury Leffingwell was questioned regarding outstanding stocks and bonds subject to investment. The purpose of the question was to ascertain what amount of securities were tax exempt and open to investment by those seeking to avoid personal-income taxes.

The data were confined by Mr. Leffingwell to United States securities and the data submitted, as of 1905, afford little information of conditions to-day. As evidence of its inaccuracy I submit a statement of railway securities in 1917 according to the 1920 World Almanac, as follows:

Common stock, \$7,454,610,000; preferred stock, \$1,847,920,981.

Mortgage bonds, \$9,227,374,055, amounting to approximately eighteen and one-half billion dollars. If other securities have increased proportionately, the amount of State, county, and municipal bonds have reached over \$4,000,000,000, apart from Government bonds that are exempt from taxation. If any accurate data have been compiled on the subject, it has not come to my notice.

I quote from Mr. Leffingwell's statement:

"Mr. FREAR. One other thing: Is there any place where an estimate can be found of general securities in addition to Government securities? Here are outside commercial securities representing \$100,000,000,000, possibly, and I ask whether there is any basis at all for estimating their amount or any authority to indicate the extent of such securities?"

"Mr. LEFFINGWELL. I imagine that the statisticians must have some figures as to the whole bulk of securities."

"Mr. FREAR. Do you have anything on that which you would be willing to give? If so, just mention the authority, because it seems to me that is very material along this line—the estimated value of all securities on the market."

"Mr. LEFFINGWELL. I will see if I can get those data. I would not be able to give you anything that I can vouch for, because when statisticians take to making figures of that sort without a census they are bound to use figures that are not precisely accurate."

"Mr. FREAR. But, anyway, give us some information if you can."

"Mr. LEFFINGWELL. Yes."

(The matter referred to follows:)

Par value of stock and bonds outstanding in the United States, 1905

| | Stock | | Bonds | |
|--|-----------------|-------------------|----------------|-------------------|
| | Amount | Per cent of total | Amount | Per cent of total |
| United States bonds | | | \$895,158,340 | 6.64 |
| State bonds | | | 227,542,863 | 1.69 |
| County and municipal bonds | | | 2,141,437,283 | 15.87 |
| Steam railways | \$6,554,557,051 | 31.18 | 6,024,449,023 | 44.66 |
| Street railways | 1,761,571,812 | 8.38 | 1,455,520,159 | 10.79 |
| National banks | 791,567,231 | 3.76 | | |
| Banks other than national | 649,080,956 | 3.09 | | |
| Manufactures | 5,522,774,073 | 26.27 | 1,274,347,290 | 9.45 |
| Mining, quarries, and oil | 2,982,835,544 | 14.19 | 314,883,914 | 2.33 |
| Electric light and power | 421,343,602 | 2.00 | 305,428,923 | 2.26 |
| Gas plant | 495,859,803 | 2.36 | 271,628,581 | 2.01 |
| Water and miscellaneous transportation | 370,933,893 | 1.76 | 235,188,850 | 1.74 |
| Telegraph and telephone companies | 559,084,526 | 2.66 | 195,575,666 | 1.45 |
| Water-supply companies | 144,611,346 | .69 | 114,932,525 | .85 |
| Realty companies | 411,159,555 | 1.96 | 12,534,000 | .09 |
| Insurance companies | 104,685,963 | .50 | | |
| Mercantile distributing companies | 253,327,600 | 1.20 | 22,531,010 | .17 |
| Total | 21,023,392,955 | 100.00 | 13,490,958,427 | 100.00 |

Taken from Charles A. Conant's *The World's Wealth in Negotiable Securities* (Atlantic Monthly, January, 1908, p. 102).

On this point Mr. Bache says:

"You may amend your Constitution to make future municipal bonds tax bearing, but you can not make past ones—I am not a lawyer—but you can not make the \$16,000,000,000, or whatever amount there is outstanding, to be taxed; and that is quite large enough to cover our large fortunes." (Page 97, Ways and Means Committee hearings.)

Mr. Bache has estimates of \$16,000,000,000, and he may be nearer the correct figures than those based on Leffingwell's data. In any event, Mr. Bache says, "It is quite large enough to cover our large fortunes," and that is the important question involved. In England they have even suggested a capital tax, and it has been contended for very strongly. That is one of the things that we wish to avoid here.

Mr. LINTHICUM. Had we not better remove some of these securities from taxation?

Mr. FREAR. The only way that we can remove them would be by refunding bonds in the form of tax bonds, but beyond that we can only act by amendment to the Constitution, which seems to be the only way, in view of the opinion of the Supreme Court. It will take a long period to secure an amendment to the Constitution that will require all bonds to be subject to Federal taxation.

"WHEN IS A TAX SHIFTED?" BY MR. ROTHSCHILD

Mr. Rothschild ran Kahn and Bache a close race in his testimony before the committee, as will appear from the record:

"Mr. TREADWAY. Where would the turnover tax go?"

"Mr. ROTHSCHILD. On the consumer. * * * (p. 163).

"Mr. FREAR. Let us suppose competition is keen, then what happens?"

"Mr. ROTHSCHILD. Then it is a question of price cutting and that would be regardless of tax.

"Mr. FREAR. And if there is no competition whatever, does it (excess-profits tax) form any element in price fixing?"

"Mr. ROTHSCHILD. If there is no competition and its profits are large, it is very largely a question of the policy of the man. I understand lately there was a coal man who had not raised his prices during the war (Mr. Rothschild could not name this white blackbird). * * *

"Mr. FREAR. Suppose that prices are falling, do merchants continue to add excess profits?"

"Mr. ROTHSCHILD. When prices are falling, men save themselves, and the excess profits do not cut any more ice than the rent or other expenses. * * *

"Mr. FREAR. The question of efficiency and of expenditures in every corporation differs?"

"Mr. ROTHSCHILD. Yes, sir. * * *

"Mr. FREAR. Now, do you insist that the excess-profits tax during recent times has been an element in fixing the final cost in various lines of business?"

"Mr. ROTHSCHILD. Yes, sir.

"Mr. FREAR. Is it not a fact that many of these companies have been giving out stock dividends reaching 50 per cent and more, and have they not been charging all the public will pay?"

"Mr. ROTHSCHILD. Most of them (p. 112).

"Mr. FREAR. Mr. Rothschild, your theory is that the seller is going to add the sales tax when he charges the consumer?"

"Mr. ROTHSCHILD. The wholesaler; the retailer will put it into his overhead.

"Mr. FREAR. If there are 10 turnovers, there will be 10 people to sell, and they will add the tax in each instance?"

"Mr. ROTHSCHILD. We will admit that because it is the worst case that could be made against us. It very often will not happen. But we will admit it.

"Mr. FREAR. Now, on each one of these turnovers, do you believe that the seller is going to add only the tax in making his sale? Is he going to add the 1 per cent tax, or will he add 4 or 5 per cent additional?"

"Mr. ROTHSCHILD. That would depend upon his competitors.

ROTHSCHILD'S BIG PROPAGANDA

"Mr. GARNER. Now be honest with us. In your heart you would do it if you could (repeal the income tax)?"

"Mr. ROTHSCHILD. In my heart I believe nearly every dollar of income tax is somehow or other paid through business operations. * * * We are going out to the people of the United States and there is going to be a very big campaign to hold up our hands. We are going to have the chambers of commerce and the boards of trade of the United States discuss this question. Now, wherever I have been—and I have had the pleasure recently of talking to the Chambers of Commerce of Boston, Providence, and other places—the merchants almost unanimously favor this tax."

In a 31-page pamphlet furnished the Ways and Means Committee by Meyer Rothschild he says:

"My own personal view is that business, through the medium of a small turnover tax, could well pay the entire cost of economically running the Government, take care of the great national debt, and permit the dropping of all other kinds of Federal taxation. Such an exclusive tax would naturally eliminate the personal-income tax and relieve business from the burden of providing the additional interest dividends or profits which it must now furnish to pay the income tax."

Quoting the effect of an indirect sales tax he says, page 12:

"It is safe to assume that in the past for every dollar the Government has collected, either as duty or imports or excise tax on liquor and tobacco, the consumer paid at least \$2 or 100 per cent profit on the duty or excise tax, which additional dollar the Government did not get."

According to Senator Hardwick, heretofore quoted, the increase was ten times the Government tax on a single sale.

MR. KAHN'S CONTRIBUTION TO THE CAUSE

Mr. Kahn also speaks from the standpoint of a banker and broker, whose annual income doubtlessly reaches far beyond the \$100,000 mark, possibly double that amount. He speaks from the viewpoint of Kuhn, Loeb & Co., of New York, his business house, who are charged in a recent pamphlet received by all Congressmen with having milked the Baltimore & Ohio Railroad out of \$27,586,650. Letter dated Baltimore, December, 1920, from Isaac M. Cote.

Mr. Kahn indulges in constant declamations as to his disinterestedness and advises his business associates to use a small stick rather than a bludgeon in driving Congress to drink at the turnover sales trough. Representing Kuhn, Loeb & Co., J. P. Morgan & Co., and other great financial interests, doubtless he voices their views to an amount reaching many millions of dollars in annual taxes, so it is well to quote from his utterances.

Mr. Kahn is a frequent public speaker—"speech for release," and so forth.

In a public address, New York, January 12, 1921, printed on heavy calendered paper—"released for publication at 1 p. m. Wednesday, January 12, 1921"—sent to every Member of Congress, including Ways and Means Committee, he says:

"It is a matter for congratulation that the House Committee on Ways and Means * * * is a very competent, well-informed, right-meaning, and level-headed body of men whose standard of ability and devotion to duty would rank high in any assembly, whether of politicians, business men, or men of any other calling."

This is not the judgment as heretofore quoted of his collaborator, Bache, by several hundred miles. After passing on the qualifications of a committee for whose benefit this broad flattery was offered, Mr. Kahn ingenuously:

"Many men whose judgment I respect are almost passionately in favor of a turnover tax (almost passionately) and see in it the solution of the taxation problem. Others whose opinion I value equally highly are violently opposed to it * * *. I distinctly dissent from the extravagant arguments and excessive claims put forward by some of its advocates. * * *

"I favor a turnover tax * * * as against a (single) tax on retail sales * * * because I doubt whether a retail sales tax, even at a rate four or five times as high as the one-third per cent which I suggest for a turnover tax, would be adequately productive."

He now puts the camel's nose under the tent at one-third of 1 per cent, which will produce five times the amount of a retail tax, according to his contention. If one-fifth of a cent on cigars is increased five times to 1 cent and 5 cents on soft drinks to 10 cents in present sales, then the total turnover tax at a modest estimate would gain from 50 to 100 per cent in increased price.

In a New York address—"released for publication Monday, December 20, 1920"—Mr. Kahn says:

"As to the sales tax, I admit I have wobbled and wavered on this subject. Indeed, it has taken me a long time to bring myself into a state of assured equilibrium concerning it."

After describing his mental gymnastics, that would do credit to a Blondin of old, he says to the New York business men he is addressing:

"There is one further recommendation which I venture to make, namely, that the business community go slow in sponsoring any methods of taxation which may be calculated to create the impression upon the great body of public opinion that in their con-

tribution to the thought on tax revision the representatives of business are mainly concerned with conserving their own interests and aiming to curtail their due share of the fiscal burden which the country must bear as a legacy of war."

Robbed of its verblage, Mr. Kahn says, in effect:

"Do not announce you are tax dodgers seeking to shift your tax load to the multitude, but when you demand a repeal of the excess-profits law and the enactment instead of a turnover consumption tax, just use a strong anesthetic and a sharp knife for the surgical and grafting operation."

In a 41-page pamphlet (January, 1920) demanding the repeal of the excess-profits tax and enactment this time of a 1 per cent sales tax (p. 34), Mr. Kahn says (p. 22):

"Extravagance, logrolling, the unwise and inefficient expenditure of money by governmental bodies, count among the acknowledged foibles of democracy. The structure of our income-tax schedule encourages these foibles. . . ."

"By the opiate of such taxation, which apparently touches them but very little or not at all, the masses of the people are apt to be lulled into a sense of relative indifference to governmental wastefulness."

Then he proceeds to administer his own chloroform to prove that if these taxes are placed on the people direct, sometimes by a 1 per cent sales tax, sometimes by a one-third of 1 per cent tax, over which he wabbles and wavers, then the effect on the "masses of the people" who will pay the bills will be easier. In a tribute to big business and big business men Mr. Kahn says (p. 25):

"No doubt the prevailing apportionment of monetary reward is not free from defects, but there has been a steady and pronounced tendency and movement, especially within this generation, toward mending such defects and remodeling inequitable conditions. Evolution and the irresistible powers which make for progress, enlightenment, and justice may be depended upon to continue and advance that process. There can be no turning back."

In the words of one Patrick Flarity, who yet remains unremodeled:

"Thems beautiful words."

BRITISH AND AMERICAN TAXES

In his testimony before the Ways and Means Committee, December 21, 1920, Mr. Kahn further elucidates:

"Mr. FREAR. Do they have the excess-profits tax (in Great Britain) now?"

"Mr. KAHN. Yes."

"Mr. FREAR. And according to the statement before me it reaches 80 per cent?"

"Mr. KAHN. Yes."

"Mr. FREAR. You speak of Great Britain as a 'wise financial country.' ('In England which has shown itself in finance a very wise country and has had in that field the largest experience of any country,' p. 15.) Do you think it would be well for us to adopt their plan, or, if not, do you think they should repeal their excess-profits tax?"

"Mr. KAHN. I do not think it would be wise for us to adopt their plan. . . . The leaders of the English business communities, rather unwisely, in my opinion, said they would rather get along with the evils of the excess profits than have a high, flat, corporate tax imposed (p. 164)."

"Mr. FREAR. Can you explain, Mr. Kahn, why Great Britain has no sales tax?"

"Mr. KAHN. . . . They do not like novelties and experiment, especially in the field of finance and economics."

"Mr. FREAR. You would wipe out the excess-profits tax, that would bring \$800,000,000 (for 1922), and substitute a sales tax?"

"Mr. KAHN. I would substitute for part the sales tax, and in part I would increase the corporation net-profit tax (p. 178)."

"Mr. KAHN. On the sales tax I have wobbled and wavered (p. 166)."

When asked to make a radical departure in our methods of taxation and inaugurate a system nowhere in effect, on the scale proposed, in any country in the world, Congress and the country have a right to the unqualified approval of some recognized tax expert. That has not been given by any such expert to the Ways and Means Committee, but Messrs. Kahn, Bache, Rothschild, and Goldsmith have contented themselves as special pleaders for the bankers and big business interests that have hundreds of millions of dollars in taxes at stake.

True, Mr. Kahn has been before our committee and flits around from one chamber of commerce to another throughout the country, expressing his carefully prepared views, but when before our committee, he confessed with an apparent effort at frankness and ingenuousness that he (Kahn) had "wobbled and wavered" on the sales tax (p. 166).

Before the industrial conference at New York he admitted he still "wobbled and wavered" on a sales tax. (P. 90, industrial committee hearings.)

"Indeed, I am not yet in a state of assured equilibrium," he adds in a communication to Congress (p. 25), and he continues that he, Kahn, a leader in the movement, has long "wobbled and wavered" on a sales tax.

In the most important act of his own career, choosing of citizenship, Mr. Kahn also "wobbled and wavered" from German to English, and finally in 1917 to declaring allegiance to America, and his first important act as a wabbling citizen is to try and lay on the backs of 100,000,000 American citizens a vicious sales tax, that represents upward of \$800,000,000 annual excess-profits taxes which he asks to have shifted off from the annual profits of his clients and associates.

THE SALES TAX VERSUS A HEAD TAX

Mr. Chairman, a short expeditious tax collection has been suggested by other authorities, that may yet be urged by Messrs. Kahn, Bache, Rothschild, and Goldsmith on Congress. It is much simpler than the excess-profits tax law, which causes these income authorities to spend sleepless nights in preparing tax reports. It will save them the necessity of investing their large incomes in tax-exempt securities in order to avoid the higher surtaxes. In fact, while it resembles a turnover sales tax, so ably defended by these gentlemen, in that it would reach every man, woman, and child through the food and clothing individually worn, yet it would save the objection of profiting and tax pyramiding which is a conceded evil of the turnover sales tax. It also reaches to the very base of fundamental taxation.

It is urged Congress could reach the same result advocated by Messrs. Kahn, Bache, Rothschild, and Goldsmith and at the same time avoid a needless pyramiding turnover tax by enacting a poll or head tax. By transferring the \$1,000,000,000 of excess profits and surtaxes that now worries those obliged to pay such taxes over to a poll or head tax the tax could not be avoided by the taxpayer and collection annually would then be as easy as taking the census.

Messrs. Kahn and Bache might urge it be provided by law that the head of the house would pay a tax levy of \$10 per head for each member of his family, based on the per capita share of each inhabitant who is now asked to shoulder the \$1,000,000,000 tax burden of the rich. If any tax was not promptly paid, it might hamper the Government to put the wage earner in jail; so, like the good old distress-for-debt practices in Germany and England, from which some of our modern sales-tax authorities spring, the law might seize a member of the family, say, one of the children, who Bache says will not pay anyhow if it does not consume, and the wage earner would then be left free to earn the tax.

Take the case of Mr. Bland, a constituent of Congressman Small, with 26 children; his head tax of \$10 each would reach \$260, which would include himself and his wife. In the case of a constituent of my own, with 17 living children, he would only have to raise \$190, which would include himself and wife. Of course, these farmers are also paying local taxes on their farms for the support of their schools, local improvements, and State institutions, but they might put in a few extra hours daily in earning the extra tax that Messrs. Kahn, Bache, Rothschild, and Goldsmith would then have taken from their own shoulders, and thus we would avoid the need of a general pyramiding sales tax.

The system suggested would possess the additional virtue of having direct action, and that is what these New York bankers are seeking. True, Bland, the farmer, is probably working 14 hours a day already, while Kahn, Bache, and Rothschild have a minimum unwritten law of nearer four hours, and there may be other matters of detail that would arise, but, as Mr. Kahn well says, "No law is absolutely perfect." However, such a law would solve the mental struggles of excess-profits taxpayers and is well for them to consider as an alternative for the sales tax.

Of course, Congress would take an extended leave of absence after passing any such measure, and probably the next Congress, of different Members, might enact an extreme capital tax which would get more quick profits than under the present excess-profits tax system; but as a temporary relief it is submitted that the kind of a tax for these distinguished gentlemen to advocate is a head tax, or poll tax, although the latter term would have a singularly unpleasant sound to those who had to submit their candidacies at the polls after enacting the law.

PREJUDICED TAX EXPERTS

Speaking personally, I believe Messrs. Kahn, Bache, Rothschild, and those they represent should be made to pay every dollar of taxes due from them under existing laws, and they should pay taxes according to their ability. Any attempt to avoid payment of taxes by investing in tax-exempt securities ought to be met, so far as possible, by drastic legislation until a constitutional amendment can be passed.

The tax dodger of to-day is not the poor man whose home and farm is immediately sold for taxes, with stiff penalties when it is redeemed. He can not avoid payment of his taxes by investment in tax-free securities or other means, and every dollar spent by him for taxes is ordinarily taken from some need of the family.

The tax dodgers and prejudiced tax experts are not found among this class of people, but the man who unblushingly tells the Ways and Means Committee he is investing his surplus cash in tax-exempt bonds; who publicly says he spends 11 months of the year studying how to evade our tax laws; who says if the poor do not want to pay a sales tax they need not consume; who unblushingly declares in one breath that he shifts all his taxes over onto the ultimate consumer, while in the next breath he demands a repeal of the excess-profits tax, because it is a heavy burden on the rich; the wealthy banker who pompously says to the country in his

6 by 9 pamphlet that only one man on the Ways and Means Committee understands the revenue question, and therefore he—Bache—must come to Washington in order to instruct the committee regarding the tax he wants—this kind of tax expert will find few apologists, even among his own fellows, and he is out of touch with 99 per cent of the 100,000,000 people for whom he asks Congress to pass a sales tax law.

Mr. DENISON. Will the gentleman yield?

Mr. FREAR. Yes.

Mr. DENISON. Does this proposed plan of a sales tax cover the sales of real estate?

Mr. FREAR. That is one tax that has been proposed. It would all depend upon what was embodied in the bill. That has been done in some countries and others not.

WHO WILL PAY THE SALES TAX?

Mr. Chairman, let us for a moment study a picture of human existence and the proposed taxation scheme.

Of the 106,000,000 people in this country it is doubtful if 99 per cent are making \$5,000 annually, mentioned in one discussion by Mr. Kahn, nor do they pay any appreciable income tax. Ninety-five per cent certainly are among those who grub along for less, and half of the total presumably are living on net incomes of \$1,000 or less received by the family breadwinner. This amount has not much more than one-half the purchasing power of 10 years ago. In other words, the astounding report that a large part of labor received \$700 or less annually 10 years ago was no more serious than conditions of to-day—particularly when over 2,000,000 breadwinners are out of employment. Immaculately dressed Messrs. Kahn, Bache, Rothschild, and Goldsmith do not represent these people.

Those they represent, who clipped bonds or interest coupons during the war, then took no chances. Their living expenses, luxuries, and limousines never occasion them worry now. Yet they protest against turning over to the Government part of their "excess" profits, not of their reasonable profits but a part of their "excess profits." They declare that individual enterprise, ambition, and initiative will be hampered by parting with any excess profits.

Of the 100,000,000 people whom Congress represents, I believe statistics would show 90 per cent are no better off to-day financially than before the war, although the great demand for labor during the war is so recent that the country has not yet recovered from its financial orgy to take an accounting of stock. That is the situation confronting the country and Congress when Messrs. Kahn, Bache, Rothschild, and Goldsmith demand that "the burden now upon the rich," to use Kahn's words, must be shifted to the 100,000,000. In other words, that an income of over a billion dollars, counting the excess profits, collections, and higher surtax now paid by less than 5 per cent of our people, must be shifted over to the backs of the remaining 95 per cent by a consumption tax. Under that beneficent proposal every turnover tax will be paid as stated from the time sugar beets are first sold to the last sale of refined sugar by retailer; from the sale of wheat at the elevator to the final sale of bread or breakfast food by the grocer; from the sale of the steer or hog by the farmer to the sale of shoes by the retailer or wienerwursts by the lunch stand—and for every eater of porterhouse a score patronize the wienerwursts.

PYRAMIDING FROM PRODUCER TO CONSUMER—WHERE DOES THE RETAILER COME IN?

From five tax levies to 10 tax levies are made between the first sale and the last of the completed article, depending upon the "turnovers." The tax may be insignificant, but after witnessing the cupidity, greed, and profiteering of the past three years in America, the public must pay, irrespective of cost or reasonable profits, and no sensible man believes that the tax added to the article by the different middlemen from first producer to final consumer will be that fixed by law. If it is 1 per cent with five turnovers it is more likely to be 25 per cent by the time the many turnovers occur, and before the finished article is received the turnover tax, and much more, is pyramided each time and is added to the cost of the article on which the next turnover tax is levied, as had been disclosed by Senator Hardwick. In many cases it is fair to suppose that where the Government would receive a total of 5 per cent in taxes on the different values for which sold, the consumer will pay from 25 per cent to 50 per cent or even 100 per cent additional, 90 per cent of which additional charge will go into the tills of the different turnover dealers. That is one reason retail merchants and other dealers have no fault to find with the turnover sales tax plan and are easily caught by the argument.

That is a reason why Mr. Lew Hahn, managing director of the National Retail Dry Goods Association, is said to be in conference with "members of the Senate Finance Committee and of the Ways and Means Committee of the House." (Washington Times, January 25.)

These retailers do not pay the sales tax which Mr. Hahn and Mr. Kahn and Mr. Bache and Mr. Rothschild and Mr. Goldsmith favor. The retailers are the ones who will pyramid prices and collect from the consumers large margins even as they try to do to-day.

Notwithstanding manufacturers and wholesalers have slashed prices to retailers according to published statements, the large retailer still charges his heavy profit without yet having learned that the war ended more than two years ago. The retailer has nothing to fear from the turnover sales tax because he does not

pay it—he passes it on to the consumer and his advocacy of the sales tax is entitled to close scrutiny particularly if he is now seeking to escape paying an excess profits tax through the shift.

EVERYBODY TO PAY THE SAME TAX

Mr. Chairman, a sales tax hits the ultimate consumer who generally pays the final bill, including freight bills, taxes, and every charge that goes to make up the last selling price. All people will pay the same and thereby can learn the blessings of taxpaying in real earnest. The molder in the foundry will pay the same as Otto Kahn, banker, for his sugar, with the same profits and tax added in both cases; the miner digging coal will pay the same as Jules Bache, New York banker, for the meat, flour, and potatoes with the same tax added; the farmer will pay the same as Rothschild and Goldsmith for the same grade of shoes, shirts, or clothes, with the same tax added, although neither Kahn nor Bache nor Rothschild will draw heavily on the kind of goods the farmer or laborer wears. The workman with his flivver will pay the same tax on his gasoline that Rockefeller himself pays, in order to pile up excess profits for Standard Oil that are no longer to be taxed according to Messrs. Bache, Kahn, Goldsmith, and Rothschild.

The farmer will pay the new price for his ax and other tools that Carnegie exacts through the Steel Trust, and the excess-profits tax formerly paid by the trust is now to be shifted to the final purchaser—in order not to destroy initiative in business. The soldiers whom we sent to war to protect the property of Kahn et al. from German tribute—these service men who saved the day—will now pay the same turnover tax as Kahn et al. This is the beneficent scheme known as a consumption tax, or a turnover sales tax, that these bankers and financiers ask Congress to place on the backs of the 100,000,000 people whom we represent.

In a hope of escaping excess-profits taxes the proponents of the repeal paint in somber colors the terrible distress of business occasioned by the excess-profits tax and the beautiful picture of every man bearing his own share of the burden under a consumption sales tax.

Every business reverse, every annoyance, is laid to the excess-profits tax. When prices were high Kahn et al. claimed prices were high because the excess profits were always added. When the balloon burst and prices dropped Kahn et al. pointed to the drop as a business distress caused by the drain of an excess-profits tax. Notwithstanding the tax only reaches a part of the excess profits over reasonable profits of 8 per cent, the tax is protested by many men who pay it in the same breath that they confidently declare they pass the tax on to the other fellow.

One ounce of fact is worth a ton of theory, and a few unprejudiced witnesses are worth all the Kahns, Baches, Rothschilds, and Goldsmiths in the universe who are special pleaders for special interests.

As heretofore stated, several hundred witnesses appeared before the Ways and Means Committee on tariff schedules. They employ hundreds of thousands of men in the aggregate and have paid many millions of dollars in excess-profits taxes on their factory earnings in the aggregate, yet not one of these men complained of the excess profits law as a hindrance to his business nor as a bar to incentive. Search the hearings of these hundreds of witnesses, and not one second the demand of Messrs. Otto Kahn, Jules Bache, Rothschild, and Goldsmith, bankers, brokers, and special pleaders. What more significant illustration of the difference in attitude between the coupon-clipping and stock-market juggling business compared to actual producers, employers of labor, and contributors to the country's prosperity? It is the difference between the broker and the producer, whether he be farmer, factory hand, or manufacturer.

I respectfully submit that it is the height of folly to remove the excess-profits tax now paid by industries named and to place it on the backs of consumers as proposed by Kahn, Bache, Rothschild, and others before the Ways and Means Committee.

REAL TAX AUTHORITIES VERSUS "WOBLERS AND WAVERERS"

Thus far I have presented to you the findings of two important tax committees, representing thousands of manufacturers and hundreds of chambers of commerce throughout the country. These findings in both cases specifically repudiate a consumption tax and point out dangers which would not occur to novices or superficial students of the subject. I have also quoted from the Secretary of the Treasury's report specifically rejecting a consumption tax both in principle and as an administrative proposition.

Quotations have also been furnished showing conclusively that taxes are loaded, and this heavy load in addition to the tax will be passed on to the consumer under a turnover consumption tax.

These high authorities are opposed by several New York bankers, brokers, and accountants, one of whom, Mr. Kahn, has "wobbled and wavered" for many months and has not yet found his equilibrium. Mr. Bache goes Mr. Kahn one better, as I have shown, and says all income taxes and all corporation taxes should be wiped out and a turnover consumption tax substituted. He adds that he is placing his own funds in tax-exempt securities as rapidly as possible. Mr. Rothschild believes like Mr. Bache, but does not advocate going the limit at this time. These three experts were before the National Industrial Board tax committee and their untested theories were there rejected. However, they are persistent; they have millions of dollars in annual taxes at stake among those they represent; they have a vigorous, expensive propaganda and are well organized.

They were practically the only witnesses, by a curious circumstance, on the subject before the Ways and Means Committee, except Doctor Adams; and Bache informs the country in his pamphlet that he has grapevine intelligence, that Adams does not count with the Ways and Means Committee when it comes to preparing a bill. These are the financially interested witnesses who are seeking to have Congress relieve them of their taxes and to saddle their tax burdens on the general public.

They point to Canada, Philippines, and France to prove that a turnover sales tax is desirable for the United States. At the risk of appearing to give undue weight to their arguments, I will quote from the opinions of men who have given the tax subject here and abroad profound and exhaustive study. If the conclusions of the tax committee, already quoted, were convincing, the reasons advanced by the following witnesses are conclusive:

TESTIMONY OF TAX EXPERTS AGAINST A SALES TAX

Arthur A. Ballantine, attorney at law, New York City, formerly Solicitor of Internal Revenue, says, page 32, hearings national industrial tax committee:

"I believe that this idea of a sales tax, a tax collected everywhere, falling on no one, is a will-o'-the-wisp which has floated over this field of taxation and which is in danger of luring business men who approach Congress in an effort to get really beneficial changes into futile action instead of constructive action.

"I believe that this committee, by the very careful and exhaustive consideration which it has given to the advocates of this plan and its careful thought as to conclusions, has done much to dissipate this myth and to direct the efforts of business men into practical channels instead of down a pathway which leads to futility."

For the second witness I quote from Charles A. Andrews, whose frank, clear analysis of the sales tax is illuminating. He says (p. 38):

"There was on the committee no vociferous objector to the sales tax. There was on the committee nobody who was loaded to kill it. We started in upon the assumption that we were going to work out something in the form of a sales tax. We invited various well-informed people to come before us. We reached out and got printed matter and manuscripts. We made investigations; and slowly but steadily the committee was driven to the inevitable conclusion that it, representing a large body of business men, could not bring before this conference a recommendation for any form of sales tax, except as the same related to a few specific articles, suggestions as to which we have made, and which have been referred to by Mr. Armitage.

"We haven't the nerve, as good citizens of the country—which we believe we are, and are trying to be—to say to a body of business men in this country, who are suggesting that business be relieved from a billion dollars of excess-profits tax, that we propose a tax which will cause the billion to be paid by the ultimate consumer. That is such a violent divergence from the principle of payment upon the basis of ability to pay that we can not ask this body of business men to get behind that sort of a tax.

"We do not believe, in this day and generation—and following the World War, instead of following the Napoleonic wars—that we have any business to propose seriously to the Congress of the United States a tax of a billion dollars, or two, or three (I don't know how much it would produce—all those figures are given), to be paid by the ultimate consumer, and organized business excused from its billion dollars of excess-profits tax.

"We don't think that is good citizenship; and we don't think that is good economics. That is the real reason that we disposed of or rejected the sales tax, upon the assumption that the tax is paid by the ultimate consumer.

"Well, let us assume that the tax all remained with the original payer of it, and that it is not passed on to the consumer. Does it then become a tax which we can justify ourselves in recommending to Congress? Your committee says 'No.' * * * Why? If the tax remains with the individual or concern which originally pays it, and he is not able to pass it on, it becomes a tax measured in terms, although not so stated, of his gross receipts; and as such, in the opinion of your committee, it is open to such serious objections that we can not ask Congress to pass it. * * *

A tax on gross receipts which leaves out of the equation all the difference in cost of the conduct of your business as compared to mine—perhaps it takes 90 per cent of my gross receipts to conduct my business and pay my expenses; perhaps it takes 50 per cent, or 70 per cent, or 95 per cent of yours—is an unjustifiable tax. * * *

The establishment of a tax like that would, in the opinion of your committee, produce such inequalities that our dissatisfaction with the excess-profits tax would be as nothing, and we would find ourselves in the face of inequalities vastly greater than heretofore. * * * It is uneconomic in its nature; it is indefensible, in our opinion, in the twentieth century, if it is a general tax on all consumptions; and for other reasons it is equally indefensible if it becomes a tax in terms of gross receipts, which term means nothing so far as it relates to the ability to pay taxes."

Mr. Jules Bache, called as a hostile witness before that committee, gives his own concept of human nature and a cold-blooded alternative for the ultimate consumer who can not pay the tax. He says, "Quit consuming." I quote from his statement before the industrial committee (p. 58):

"Professor Adams this morning showed the greatest optimism that I have ever heard voiced from the tribune. He states that

he believed the taxpayer was a cheerful, voluntary honest man. That is not my opinion. The taxpayer—and I am not attacking his honesty when I say so—spends 11 months a year devising schemes by which, during the 1 month that he tries to make up his tax statement he can avoid as many of the taxes as is legally possible, and he generally succeeds in avoiding many of them.

"The idea of putting a thrift tax into our taxes, which the 20 per cent limitation would be, is an excellent one; but the greatest thrift tax would be the turnover tax, since if anybody didn't want to pay any taxes he could merely refrain from consuming."

THE CANADIAN TAX IS NOT A SALES TAX

W. C. Cornwell, an employee of Mr. Bache, read a statement of the Canadian sales tax at that same meeting—page 60—to which Robert G. Wilson, chief of the tax division, American Mining Congress, immediately replied, as follows:

"I don't know how many gentlemen present are familiar with the Canadian law, but it has been my fortune within the last three or four years to spend some time in Canada, and for business reasons make some intensive study of the Canadian law. To my mind the Canadian law is not a sales tax.

"In the first place, the law of July 1, known in the United States as a sales tax, is an amendment to the special war revenue act of 1915, which is an excise tax law.

"What Mr. Cornwell has had to say regarding the Premier's statement is true. The statement, however, is misleading in that it refers to a sales tax, which in its effect exempts all the prime essentials of life from such taxes; it is only an addition at the rate of 1 per cent and 2 per cent to excise taxes—luxury taxes, if you please—which rise sometimes 50 per cent upon many commodities—luxuries, essentials, and nonessentials. It is not, as the business men's tax committee has termed the proposition, a sales tax."

For the next witness I call Mr. J. F. Zoller, tax attorney of the General Electric Co. He says at the same committee hearings, page 62:

"I want to talk just a minute on the sales tax. Now, we have reached the parting of the ways here in regard to the sales tax. Personally, I am opposed to it for the reasons stated by Mr. Andrews. I can't state those objections any better or as well as he did. But the situation as I see it is this: The people who are favoring the sales tax are those who are already required to pay a sales tax under section 900 of the present law, and their position is that if the Government can select this industry and impose a sales tax upon us why not spread it to other taxpayers?"

THE PHILIPPINE TAX DISCUSSED

Replying to a statement filed by a Mr. Hord, formerly collector of internal revenue of the Philippines, the next witness, Mr. H. B. Fernald, of Loomis, Sufferin & Fernald, New York, says, page 66:

"The sales tax has been spoken of as if it were a new thing of very recent years. From my experience with the sales tax I go back to two things—one is the matter of the Philippine tax, the other the matter of the Mexican tax. * * * Do you want to place in your business a proposition where every purchaser is to get a receipt on which you are to affix serially numbered stamps, and where you have to account for all your stamps purchased and issued, subject to examination from time to time, to check up as to the number you have left and when you purchase them, and where you have to put down the last serial number you purchased and the serial number you are acquiring now?

"My objection to the sales tax is particularly from this standpoint, and it is the same thing which will apply to almost any tax, namely, when a tax gets large in amount and it becomes worth while the taxpayer will look for a means to avoid it. * * * It can be eliminated; it can be gotten around. The experience in Mexico has shown that conclusively, and therefore it is a tax which will be paid by the small man, while the large man, who is able to change his business organization, can avoid it."

WHY ENGLAND REJECTS A SALES TAX

The next witness is James J. Forstall, of Chicago, attorney at law and member of the tax committee, who speaks of efforts to pass a sales tax in Great Britain, the former home of Mr. Kahn. He says (p. 67):

"Comment has been made on Canada and Mexico. I would like to say that two weeks ago yesterday, through the courtesy of Professor Haig, I had an opportunity to discuss with one of the members of the British income-tax commission and with one of the high tax officials of the British Government the question of the British taxation situation. As you probably all know, they have about as little love for the excess-profits duty as the Americans have for the excess-profits tax, and have been spending two years in trying to find a substitute, but they haven't yet found it. I asked each of those gentlemen whether the general sales tax has been considered as a substitute, and they both said the same thing: That it had been taken up and considered very seriously, but that now they were no longer considering it, because they were convinced that it was neither an equitable tax nor feasible from an administrative standpoint, nor one which could possibly be passed through Parliament."

For the next witness I quote from A. E. Holcombe, New York, secretary and treasurer of the National Tax Association. He says:

"I happen to have with me a copy of a bulletin which is just about to come out, and in view of the references to other countries I thought I might read a couple of sentences from the report on the Mexican situation. It seems that early in the Carranza régime he established a committee to look into the entire financial

system in Mexico. That committee made an elaborate report, and it has been reviewed by Professor Chandler, of Columbia, who spent some time himself as adviser.

"It is perhaps not too much to say that the most important proposal to be found in the entire model plan (and that was the name given to this report) is that recommending the suppression of the sales tax throughout the States of Mexico. * * * It has always been a costly tax to collect, and according to the opinion of Mexican officials, who are in a position to know, it has constituted one of the most cumbersome impediments to industry and commerce."

HOW FARMERS REGARD A SALES TAX

The next witness, J. R. Howard, of Chicago, speaks for a million and a half farmers in the American Farm Bureau Federation. He speaks the sentiments of several million other farmers not connected with the organization, of which he is president. He says (p. 68):

"The farmer is interested in paying his just and fair proportion of taxation. He believes every man, every citizen, should pay some tax, because it makes him a better citizen, but he believes that that taxation should be so distributed as to be fair and equitable, and in proportion to each man's ability to pay."

"With regard to the sales tax, let me say that the farmer occupies a unique position. I think it has generally been conceded in this discussion that the tax is passed down to the ultimate consumer. The farmer can pass nothing to the ultimate consumer, because he buys at the other man's price and sells at the other man's price, and being at that disadvantage and not able to pass it on, he bears an unjust burden and is in a place where I am sure he, as a farmer, will object to the broad extension of the sales-tax principle."

Mr. H. C. McKenzie, of Walton, N. Y., a member of the tax committee, seconded Mr. Howard's testimony in vigorous language, as follows:

"I want to take the opportunity to emphasize the farmer's objections to a general sales tax, which have been voiced by our president, Mr. Howard, and to call your attention to just two or three things briefly. * * * The chief proponent of the sales tax has told you that the excess-profits tax is not only paid by the ultimate consumer, but that the ultimate consumer pays the tax two or three times in amount. Now, if that is right, the corporations and people who are doing this business are receiving a benefit from the excess-profits tax, and the corporations and business people are the people who are asking for its repeal; they are asking for something that is diametrically opposed to their own interests. According to the chief proponents of the sales tax, the sales tax is paid by the ultimate consumer in its entirety; that is his proposition, as I understand it."

"Now, your proposition, as developed by the advocates of the sales tax, is this: To take an approximate \$1,000,000,000 off the excess-profits tax, which is not paid, as I contend, largely by the corporations, and put it over, according to the proponents of the sales tax, on the ultimate consumer. It seems to me that nothing could be more shortsighted, and tend in the end to be a boomerang and to be a disadvantage not only to business but to capital, than to strive to shift the burden of a billion dollars from the business people who now pay it to the living wage—which is what it amounts to—the ultimate consumer. Ninety per cent or 95 per cent of that tax will be paid out of the living wage, if the contention of the proponents of the sales tax is correct; and I want to say that the farmers who are represented in the American Farm Bureau Federation will never in the world stand for that proposition."

FARMERS WILL FIGHT TO THE END

Let me interject a witness at this point whose tenderness for wealth and capital has no conspicuous place in his published statement, from which I quote. I offer an extract from an article given to the press a few days ago by George P. Hampton, managing director of the Farmers National Council, an organization representing an enormous constituency. No one will doubt that equally forceful demands are voiced by the millions of organized and unorganized labor who are to be placed in the new class of turnover-sales taxpayers. Mr. Hampton says:

"In 1918 [Mr. Hampton states] 22,696 millionaires were estimated by the eminent publicist, Mr. Richard Spillane, to own 27.2 per cent of the national wealth, or over \$68,000,000,000, while the 33 richest Americans owned property worth about \$4,837,000,000, or, roughly, 2 per cent of the national wealth. In 1918 the national wealth was estimated to be \$250,000,000,000. It is now estimated to be \$500,000,000,000. Our 23,000 millionaires are probably worth now about \$136,000,000,000 and the 33 richest Americans about \$9,675,000,000."

"If we estimate the net return on this property at only 5 per cent, the average income of these 23,000 millionaires is nearly \$300,000. Of course, many of them have invested largely in tax-exempt bonds and own a considerable proportion of the \$40,000,000,000 of such tax-exempt bonds. While a constitutional amendment would enable the Government to tax the income of these individuals, it will take some time to adopt such an amendment. A direct tax, however, could be levied upon capital values, and should be promptly levied by Congress instead of seeking some method of placing additional burdens of taxation through a retail sales tax, a general sales tax, and other consumption taxes upon the hundreds of thousands of families who to-day are receiving several hundreds of dollars less than they need to maintain the American standard of living. * * * A retail sales

tax and other sales taxes and all similar taxes on food, clothing, and shelter, called consumption taxes, must be paid chiefly by the workers on the farms, in factories, mines, and transportation, millions of whom are getting less than the minimum wage necessary to maintain a family on a decent American standard."

Mr. Hampton concludes:

"The full money cost of the war must be paid by taxes on incomes, corporation profits, estates, and privileges. Such taxes will yield \$7,000,000,000 to \$8,000,000,000 a year for many years without imposing any hardship upon anyone. American farmers who this year have lost billions through the slump in farm prices, will fight to the end the plan for the selfish privileged interests to saddle the huge war debt upon our people for years and insist upon prompt payment of that debt by those who profited so hugely by the war and by the monopolies built up in this country before and during the war."

A RECOGNIZED GREAT TAX AUTHORITY ON THE SALES TAX

I could quote from many other witnesses who have not "wobled and wavered" for months, but the witnesses I have cited against the sales tax are tax students and authorities, men who have given the question thorough consideration in most cases, are apparently unprejudiced, and whose views are of great value in determining matters of taxation. One of the greatest international tax authorities, whose textbooks are known to every student of taxation, has expressed himself on the subject of a turnover sales tax as late as October 22 last. His contribution on the sales tax here and abroad is concise, fair, and positive. I quote from the statement of Dr. E. R. A. Seligman, of Columbia University (national industrial tax committee hearings, p. 72):

"The sales tax is not a novel tax, as the Premier of Canada said. If he has followed an academic course in taxation he could have learned of many examples, dating back as far as thousands of years ago. The Romans had it, not to speak of the Egyptians and the Babylonians. I do not want to give a lecture on taxation; I am simply trying to call attention to the fact that the sales tax has existed in one form or another for a great many years. With only two exceptions, it has been abolished everywhere and has not been reintroduced in any first-class country; and those two exceptions are Germany, which reintroduced it in 1919, and France, which, as has been said, introduced it in 1920. Now, before we consider the experiences with this tax, it must be remembered that we can learn little, one way or another, either for or against it from Mexico, or Cuba, or the Philippines, or Canada, all of which are countries of insignificant economic proportions, where we do not find the real kind of sales tax that we have been discussing to-day."

Again (p. 74):

"The proposition now is to take off one of those three chief categories—the tax on excess profits—and remove the burden from profits on wealth or income, and put it on the other or consumption side. This would, in my opinion, unduly shift the balance and bring us too near the position formerly occupied by all the aristocracies of old, and still reflected in some of the European countries. * * * (P. 75:) Why is it that England and America show their democracy, their real democracy, so much more than countries in the difficult position of Italy or France or Germany? There you will find throughout the war and even now the great mass of taxes imposed upon the consumption of the common man; whereas in England and in the United States during the Great War, as over against our experiences in the Civil War, the great majority of taxes are raised from wealth; that is, from those who can afford to pay, rather than from the consumption of the necessities and comforts of life. * * * After the United States, the two countries of the world which are making the most progress in fiscal reform are England and Italy—for Italy is doing better than France. When these two countries came to consider this problem they went into the question of a sales tax thoroughly and finally rejected it. On the other hand, the two big countries of the world that have adopted the sales tax—Germany and France—did so only as a last resort, after exhausting every other available source of taxation. * * * Germany was forced to this sales tax in the last extremity, and in France the same is true. * * * I have been in California for eight months, and had the pleasure some time ago of addressing a large body of business men in San Francisco assembled to discuss this question. I found that the situation was precisely that which was presented by our committee. Everyone was anxious to get rid of the profits tax, everyone had heard that here was a way out, and it captivated them all; every man in that room was in favor of a general sales tax. But after I had talked with them, not so much in opposition as trying to show that there was another side of the question which they must begin to study, it was marvelous to see what a change came over them; not because I spoke—because everyone would have done just as well—but simply because attention was now called to some of the less obvious aspects of the case."

"A sales tax on the sales of capital would ruin New York City as the financial center of the country. A sales tax on the necessities of life would evoke a political struggle the like of which we have never seen in this country (p. 77)."

"The sales tax represents an attempt to put an undue, an extravagant burden upon the consumer, instead of on the producer or the possessor of wealth (p. 79)."

Doctor Seligman discloses why Messrs. Kahn, Bache, Rothschild, and others of like antecedents from the "aristocracies of old" favor a sales tax.

I will willingly leave my colleagues in Congress to say whose advice is to be considered. Shall it be that of a man whose judg-

ment is not warped by personal or pecuniary interests, who handles the subject with the mind of a master, whose opinion is supported by two great tax-investigating committees, by the experts of the Treasury, who have spoken through Secretary Houston, and by a dozen reputable witnesses quoted? Whom shall we follow in placing a billion-dollar tax on the backs of the people? Shall we accept these authorities or shall it be the wabblor and waverer banker and broker with his New York colleague, who spends 11 months a year, according to his own admission, in trying to dodge taxes? There can be but one answer.

LEST WE FORGET

Mr. Chairman, a terrible war has swept over the world, leaving sorrow and misery strewn everywhere along the trail. The struggle with arms registered over a score of million men dead, wounded, or missing, but this was only one item of the losses. Social, industrial, and governmental upheavals have spread like a prairie fire from the war conflagration.

In our own land innumerable battles have been fought, as bitter and lasting in effect as those occurring over 3,000 miles away. No statistics will ever record the broken homes, sicknesses, sacrifices, and deaths that have no place in history's battles nor of secret struggles when giving away millions of their best treasures—their boys. Nor will history ever properly record the taking of everything not nailed down during that war by profiteers who robbed the Government and robbed the public without limit or conscience. Scars are not yet healed, for the people have long memories.

Fortunes have been amassed and laid away that were wrung from the necessities of our Nation and of the people. That is only one chapter from the record, but that is a chapter with which we are now concerned because profiteering and pilfering of the public has been a continuous performance whenever opportunity exists, and it is brought forcibly to mind by the proposal to repeal the excess-profits law and enact a general sales tax.

In a report from the Department of Labor of January 26, just issued, the statement is made that 3,473,466 jobs have been lost within the past year and industry has been reduced approximately 40 per cent. In the face of this record Congress is now asked to exempt from taxation those who accumulated enormous profits in great corporate business and also to slash deep the surtaxes of those whose individual incomes reach high levels. According to Bache, who heads the sales-tax propagandists, these taxes now paid out of large profits and high incomes should be shifted on to the three and a half million jobless, who with their dependents must buy food, heat, and clothes, with an alternative, according to Bache, expressed with grim humor, "to merely refrain from consuming" (p. 53).

That advice is more cruel than Marie Antoinette's, "If they can't get bread, why not eat cake?" Bache has many disciples in this country, and in the world to-day, but only the blind fail to see that an autocracy of wealth may become the handmaid of a military autocracy which the world has temporarily destroyed.

Those who try to view conditions without bitterness or prejudice find the greatest danger to our body politic to-day lies in the ruthless crushing of the individual, the cupidity and selfishness of men, and a modern-day arrogance of wealth, that in turn demands its protection from those whom it crushes.

In this day of world-wide commercial struggles, when the individual becomes swallowed up in the maelstrom, it is well to remember that under our form of government the humblest and poorest is entitled to equal rights of life, liberty, and the pursuit of happiness, unless it is to become a lost paragraph from our Constitution, and that next to liberty the most frequent cause for historic struggles has come from unjust taxation, with its accompanying oppression.

OTHER TAX ISSUES NOT DISCUSSED

I have presented what I believe to be facts and authorities that effectually discredit the present effort to saddle a turnover sales tax on the people of this country. One of the greatest campaigns for the tax is now being waged in Washington and throughout the country. The stakes are higher than with any legislative program in recent years because the plan proposes to shift the \$800,000,000 to \$1,000,000,000 in excess-profits taxes over on to the underfellow.

Money is plentifully supplied to press this propaganda upon Congress. Every man who pays excess-profits taxes in Congress will be pressed to join the movement, irrespective of economic, governmental, or political results. I have not sought to discuss the repeal of excess-profits taxes nor the proper limit to place on personal income surtaxes. Nor have I assumed to discuss a constitutional amendment that will reach the hoarded wealth of Jules Semon Bache and others who invest their wealth in tax-exempt securities.

I have not presented the alternative of taxing capital now being pressed in other countries, notably England, and by large farming organizations and some labor organizations in our own country, nor have I dwelt on the fact that while England refuses to give up her excess-profits tax and rejects a sales tax without any consideration, special interests most concerned here, following the example of the railway bill propaganda of last year, are straining every nerve to do here what England dare not do across the water, and I use the term "dare not" advisedly.

THE PRICE IS TOO GREAT TO PAY

I have not discussed the political liability of a turnover consumption tax, nor have I indulged in useless predictions of what

reward will be measured out to Representatives who listen to the siren song of the propagandists and fail to represent those back home, those who will be called on to pay the bill—a billion-dollar tax bill—in addition to other taxes, local and Federal. These are the fruitful fields for discussion and may be covered before any turnover consumption tax is passed by Congress. I have tried to place before you the judgment of recognized experts, expressed both individually and through united action, all of whom condemn the passage of a general sales tax in this country in time of peace. Their views have not been given to Congress in any public hearings, to my knowledge, although sales-tax advocates, led by an amateur expert who wobbles and wavers, has been given full hearings by our committee with accompanying wide publicity through the press.

To my own mind, the time is one of great concern. The future does not rest alone on the resumption of business but also on the willingness of men of large means to shoulder their full share of governmental and tax burdens. Temporary success of any sales-tax measure will be at the expense of respect for property and of those who succeed.

The price is too great, and one that even those drunk with power may well hesitate to pay.

I have made the assertion that powerful agencies are now waiting for the action of Congress in order to help them avoid an income tax. This statement is supported by cumulative testimony furnished by witnesses who were quoted in my speech of April 14, 1921, when the last sales tax was being pressed in the House for passage. I then said:

INVESTIGATE THE SALES-TAX LOBBY

"In every congressional district in the country" a campaign is being waged by the sales-tax lobby to shift an excess-profits tax on corporations reaching nearly \$800,000,000 annually to a sales tax on everything the people eat, drink, and wear. An investigation is demanded of the slush fund thus raised and of methods used by the lobby.

Mr. FREAR. Mr. Chairman, I desire to speak on a subject which is closely connected with that which we are discussing to-day, and yet is not the emergency tariff bill. I would that others more capable could have undertaken it, but I do not believe I have any right to remain silent in view of conditions that should be disclosed to the House at this time.

There is an element, not in the House particularly, but in the country, that is insisting on a tax on everything we eat, drink, or wear through a sales tax, and effort is being made to put that through at this time. I want to discuss that proposal briefly.

Let me say, first, that the National Industrial Conference Board, which represents millions of dollars in capitalization and represents millions of men in its employ, has reported, through its committee, against this tax. The United States Chamber of Commerce Tax Committee, similarly constituted, representing all of the chambers of the United States, has reported against that tax, and so has the National Credit Men's Association. What do you suppose would be the verdict if it was submitted to the millions and millions of farmers and men working in the factories and shops to-day, as well as the clerks and others, if they were to decide upon paying the tax that is to be shifted from the excess profits? That is the proposition proposed at this time.

Now, I have to-day on my desk 145 letters received from candy makers alone demanding a sales tax. I have between 500 and 600 from jewelers, from druggists, from various classes of people who want to have the tax shifted from them over on the backs of the people of the country, and therefore demand a sales tax. We have newspapers and pamphlets galore for a sales tax. Let me read to you from some of them so that you will understand the extent of the propaganda.

Here is a full-page advertisement headed "The Bubble Has Burst." It is from the Wall Street Journal that editorially has criticized me severely for the position I have taken against a sales tax. I want to call your attention to the words of this full-page advertisement. And I understand it was carried in other papers throughout the country.

On page 7 of the Wall Street Journal of March 17, 1921, it says: "M. Francois-Marsal, the banker finance minister, is credited with having discovered a veritable philosopher's stone in the new tax on turnover. The yield is already proving unexpectedly satisfactory, and there appears to be every reason that it will produce a much greater amount than had been anticipated in the budget estimates."

As a matter of fact, every intelligent man familiar with the French sales tax—and the man who wrote that is intelligent—knows that only 37 per cent of sales-tax estimates is being collected in France.

If France is unsuccessful, how can we hope for different results? In France the budget estimates of 487,000,000 and 413,000,000 francs for January and February fell down to 187,000,000 and 151,000,000 for those months as stated, or to 37 per cent of estimates, and are dropping proportionately every month. In the April monthly letter Hamilton Institute, I quote a French cable:

"The yield of the French business turnover tax, which became effective July 1, 1920, has proved decidedly disappointing. * * * The measure has proved cumbersome and unpopular. * * * In each month so far the proceeds have been less than those of the preceding month."

The "letter" further says:

"The Government can not cope with the present crises unless payments on the indemnity are soon forthcoming. * * * France has been less progressive in her tax legislation than England and the United States. She depends less upon the taxation of individuals and corporation incomes and more upon sales taxes and other obsolete methods of collecting revenue."

In cable March 27 (Washington Post) it says of the French economic crisis:

"This, it is asserted here, is not due to overproduction but instead to willful underconsumption as a result of prevailing high prices, which are likely to continue."

HIGH PRICES, UNDERCONSUMPTION, AND DISTRESS FOLLOW THE SALES TAX

The above contains a clean-cut survey of the experience of the only large country which has adopted a turnover sales tax.

The Philippine sales tax offers no solution. Receipts in 1919 were \$6,865,624 (\$13,731,248) and in 1920 \$7,521,000 (\$15,042,000) collected from 10,500,000 people, or about 75 cents per capita. That rate is 1 per cent. (Sec. 1459 P. I.)

The Smoot rate of 1 per cent would bring 75 cents per capita, or about \$75,000,000, in this country at same proportionate consumption. It is useless to speculate how much more we would consume. These are the figures. As well compare a skiff on a mill pond or on a large lake subject to heavy winds and waves as to compare the Philippines with a nominal budget and ours with \$4,000,000,000 annually.

Canada's sales tax is not a sales tax and has proven a notorious revenue disappointment, filled with exemptions, administered by a body possessing practically legislative functions, to change or add further exemptions.

Mr. McCoy, the Treasury expert, I am informed, estimated \$185,000,000 annually on our luxury taxes, whereas only about \$50,000,000 has been collected, or less than one-third of the estimates. This is a final sales tax and speaks for itself.

Here is the San Francisco Chronicle; I have no criticism, but it publishes a full-page advertisement on the sales tax by the Fidelity & Deposit Co. of Baltimore. It was also published here in the city of Washington and presumably published generally throughout the United States. Who pays the enormous amount of money to finance this one advertisement, and what was the purpose? The public is entitled to know. Who pays for the lobby that is to be established here in Washington? Who is paying for all this large expenditure of money, and who is instigating the work?

I have here an original letter from one of the men who appeared before the Committee on Ways and Means. His name is Jules S. Bache, of New York City. His letter is dated March 28, two weeks ago. It went all over the country. Thousands of copies, I understand, have been circulated among financial interests that, in the aggregate, have \$1,000,000,000 annual excess-profits tax and income tax at stake that is to be shifted to a sales tax:

[President, Hazen J. Burten, Minneapolis, president Plymouth Clothing House; executive vice president, Henry G. Opdycke, New York; treasurer, Jules S. Bache, J. S. Bache & Co., members New York Stock Exchange]

THE TAX LEAGUE OF AMERICA (INC.) TO
LIFT THE BURDEN OF UNWISE TAXATION,
NATIONAL HEADQUARTERS, 1270 BROADWAY,
New York City, March 28, 1921.

DEAR SIR: It is stated that business men in this country are paying out in fees for expert services in the preparation of their income-tax returns about \$100,000,000 annually. * * *

The Government does not receive any part of this vast sum nor does it receive the hundreds of millions which for one reason or another are never collected under the present inadequate and bunglesome tax system.

To simplify and improve the present system a tax on all gross sales is proposed. Such a tax is easily collected, and this is a big thing in its favor. Clearly a sales tax would be inexpensive in its operation and no burden to anyone, and would fairly and equitably spread the obligation of Government expense to all in the fair and just proportion each should bear. Moreover, it will be simple in operation and will return a sufficient revenue.

I am writing to you because men like you and me may, as well as anyone else, take up the fight for an adequate taxing system. It is our job since it is our money which is now being taken inequitably from us under a system which constitutes, undoubtedly the greatest blight upon legitimate business initiative now existing.

I ask your cooperation in a plan now organizing to conduct an educational campaign in favor of a general sales or turnover tax throughout the country.

For this purpose the Tax League of America has been created and has already done work which is showing results. Will you, therefore, please send your check for \$50 payable to Jules S. Bache, treasurer, and mail same to the Tax League of America (Inc.), 1270 Broadway, New York City?

Yours very truly,

JULES S. BACHE.

(First vice president, John Williams, New York; vice president Irving National Bank.)

Mr. Bache, from his testimony before our committee, has presumably contributed twenty or fifty times \$50. His taxes make the stake worth while.

How many thousands of these letters are being circulated throughout the country, and what is to be done with the enormous sum of money which will be raised? Mr. Bache was before our committee. He stated he is investing as fast as possible all his money in municipal bonds in order to escape taxation. He stated to the industrial tax committee that the average man spends 11 months of the year trying to legally evade his taxes. He said at the same time the way to escape consumption taxation under his proposition is not to consume. This is the gentleman who is going to crack the whip over the Congress of the United States. His lobby will be working full force in a few days, and then we will be given the benefit of his many publicity agencies in earnest.

From the New York Times, several days ago, I quote:

"Plans for uniting individuals and trade associations who favor a general sales tax in support of a measure now being drawn (the Smoot bill) for presentation before Congress have been made by the Tax League of America (Inc.) (Julius Bache), whose headquarters are at 1270 Broadway. The program includes a 'campaign of education' in every congressional district in the country."

The article continues in an extended statement of what Mr. Bache and his aides propose to do with the new organization.

Let me read you another statement. This comes from Mr. Meyer Rothschild, who was before our committee. This letter is signed by Mr. N. R. Fuller and pays a high compliment to Mr. Rothschild.

NATIONAL WHOLESALE JEWELERS' ASSOCIATION URGES MEMBERS TO SUPPORT JEWELERS' WAR REVENUE TAX COMMITTEE

"The following letter to members was sent out on March 2 by the National Wholesale Jewelers' Association, urging support of the fight on taxation being led by Mr. Rothschild's special committee:

"This letter is written to emphasize and call your attention to the necessity of actively supporting—morally, financially, and physically—the work of the jewelers' war revenue tax committee, which is being so capably guided by its chairman, Meyer D. Rothschild.

"As you already know, this committee and the entire jewelry industry are fighting not only to prevent an additional tax being placed on jewelry but to remove altogether the excise tax on our industry and work for the adoption of a turnover sales tax in lieu of our present inequitable tax system.

"The points regarding this proposition are too well known to need further discussion, but I do want to emphasize the necessity for ample finances for this committee to use in prosecuting their work effectively and without embarrassment.

"The present plan for financing the work of the jewelry war revenue tax committee is to select 28 of the leading cities and estimate on a percentage basis what was thought each city ought to raise.

"A letter has been addressed to you or some one in your city requesting that the quota for your city or district be promptly raised. Experience has shown that unless these matters are followed up and 'put across' by some one of ability and initiative the work is never done.

"Trusting that each member of our association will take it upon himself to be a committee of one to see that Mr. Rothschild and his committee has the financial and active support this cause would justify and with kindest regards, I am,

"Yours very truly,

"NOBLE R. FULLER, President.

"KEYSTONE, April, 1921.

"N. B.—The treasurer of the jewelers' war revenue committee is A. L. Brown, 68 Nassau Street, New York, to whom checks may be sent or communications directed."

From the same publication I quote:

"Let all your friends and neighbors in these lines know what you are doing, and suggest that they also see their Congressman and Senators while they are at home and talk to them on this important subject.

"If you can not see your Congressman, write to him, and again to your Senators, unless you have had replies to your last letter.

"Please let us know the result of your interviews, and do what you can to get your friends outside of the jewelry trade, who are taxed under Title IX, to work along the same lines.

"You must work quickly, as the special session of Congress will probably be called for April 4.

"We are looking forward to your usual loyal cooperation, and hope to hear from you shortly.

"JEWELERS' WAR REVENUE TAX COMMITTEE,
"MEYER D. ROTHSCHILD, Chairman."

35,000 JEWELERS' LETTERS \$27,000

I quote from page 91 of the Jewelers' Circular, April 13, 1921, a public statement of Chairman Larter, of the "Jewelers' Vigilance Committee," known as "the governor of the jewelry industry." He said:

"Do you know that the jewelers' vigilance committee has paid the jewelry trade's share of the expenses of the business men's tax committee, and this amount up to date for tax matters is in excess of \$27,000? About the 1st of January we sent over 35,000 letters to every jeweler in the United States, asking them to write their Congressmen and Senators in favor of the turnover sales tax and to send us contributions. Recently we selected 26 cities in the United States and prorated the amount we thought each city should contribute."

Candy men, jewelers, retailers, druggists, stock brokers, newspapers are all on the job.

Here they are dividing the United States up into 26 districts to get money in behalf of their organization to help put over the sales tax. I received yesterday a New York paper in which it says some New York man claiming to represent the traveling salesmen says of the sales tax opposition:

"That a powerful group of large tax accountants and experts were banded together to defeat the sales tax because it would wipe out the need of their services, for which \$100,000,000 a year is now paid."

This sounds so much like Mr. Bache's letter that further comment as to its source is unnecessary. They are trying to find the \$100,000,000 accountants, and we ought to have them testify where they exist. Let us have the facts.

Many editorials and news items are being received supporting a sales tax. What will the effect of the excess-profits tax be on the newspapers, the great newspapers, the powerful newspapers of the country? I do not criticize them, but I am speaking of their interests in the subject, for the interest of every witness should be known to the jury. What is the effect of a profits tax on the great newspapers, what do they now pay, and what will be the effect of a sales tax and what difference will it make when advertising contracts go free? We understand the tremendous power they exercise to-day. They have a right to protect their interests, but what are those interests? Both of these gentlemen—Mr. Bache and Mr. Rothschild—speak of the educational campaigns they are now carrying on in all congressional districts. That same kind of education was carried on by a notorious body of New Yorkers known as the National Security League. We made an investigation of that organization in Congress. What was the result? A discovery of \$600,000 or more for an educational fund which was used as a slush fund to aid in the defeat of Members of Congress.

What part of this Bache and Rothschild fund is a slush fund?

One of the leading men on the Democratic side, a man of high character, stated to me that the amount of the sales-tax contributions would be a million dollars. That was at the close of the last session, before he knew of the many agencies and funds and lobbies that are being organized.

The CHAIRMAN (Mr. Reavis). The time of the gentleman from Wisconsin has expired.

Mr. FREAR. May I have 15 additional minutes?

Mr. KINDRED. Mr. Chairman, I hope the gentleman may have additional time.

Mr. YOUNG. I yield to the gentleman 15 minutes more.

Mr. FREAR. I am asking for an investigation in order to stop this tremendous propaganda, or in order to permit Members of Congress to decide these questions upon their own merits and not upon the representations of men who are demanding we shift a billion dollars in taxes from them over to the backs of the 100,000,000 who can not escape. I have received probably 600 letters demanding a sales tax. How many have you Members received? All the letters received from this propaganda are on one side, practically, with not 10 letters to the contrary, whereas the sentiment of the country is just the reverse. One million men want to escape excess-profits taxes and are trying to shift their taxes onto the remaining 105,000,000 through a sales tax. To pyramid the costs of living for every man with a family of five to from \$100 to \$200 or more annually. What will these people say if we pass a sales tax?

I have here a letter received last night from my home city, sent out by the Rothschild organization. It says that there is going to be raised \$4,000,000,000 by the 1 per cent sales tax. What a dishonest and false statement to make. Every district is to be flooded with letters, my friends, and I ask for an investigation. I do not think Congress ought to sit mute when these matters are pressed upon the country by irresponsible "incorporated" concerns, and that is a reason why there should be an investigation.

I am not going to discuss the sales tax now. I did so in my speech of January 31. I want you to understand the propaganda on this revenue sales tax bill financed by the man who has the money, the excess profits, and who is trying to shove his taxes onto the poor people of the country. He should pay according to his ability to pay, a principle that has stood for generations and is supported by the organizations quoted against a sales tax. The best tax experts in the country insist on that principle. Why not? Why should every dollar's worth of necessities a poor man buys, his coffee and tea and sugar and clothes, be taxed to relieve the men who will pay nearly a billion dollars in excess-profits taxes in 1921 after deducting their \$3,000 exemption and 8 per cent on their invested capital, which is now exempt? The United States Steel Corporation the other day reported that it made 43 per cent more in 1920 than it made in 1919, or \$109,000,000 profit. Texas Oil the other day reported a profit of \$85,000,000, and it made 56 per cent more in 1920 than in 1919. Are you going to relieve those people from that excess-profits tax? I can not believe it possible, unless some equally just tax is to be substituted.

I have here an editorial from the Wall Street Journal, of over a column, criticizing me because I made a speech here against the sales tax on January 31.

I delivered the speech and sent it out, because I am thoroughly opposed to a turnover sales tax to run the Government. I wish other Members who are better able to do so would undertake the task of presenting opposition, because it calls for action and because, as the gentleman from Iowa [Mr. Good] said on this floor, any party that undertakes to put a sales tax through will be

defeated the next time at the polls. I fear he is right. The editorial was unjust, made many misstatements, and failed to mention facts that could not have escaped the attention of any fair-minded writer. My answer says:

"APRIL 14, 1921.

EDITOR WALL STREET JOURNAL,

"New York City, N. Y.

"MY DEAR SIR: Your column editorial in the Wall Street Journal of April 5 is received, wherein I am chastised editorially by B. S. Orcutt because in my speech of January 31 I opposed a sales tax and because I recently stated: 'All sales-tax people desire to force that tax on the people before it can fully be understood.' That statement I repeat, while the Journal confesses its truth and avoids by saying an 'educational' propaganda demanding a sales tax is now on. A strong tax propaganda has been on for months, although it misrepresents, misstates, and theorizes without basis or reason. Members have been deluged with sales-tax letters urging a discredited tax, generally abandoned centuries ago by civilized governments. I have received 500 letters, including 145 from candy makers alone, all demanding to be exempted from taxes they now pay and also demanding that Congress substitute a sales tax. This kind of 'education' is admitted.

"A powerful lobby with an enormous slush fund is planned in Washington to push the sales tax through Congress.

"Is that the 'educational' medium to which you refer? Highly paid publicity men and men who crack the whip in Wall Street are about to crack their whips over Congress, according to this propaganda, in an effort to shift \$1,000,000,000 in taxes they now pay annually over to the backs of the hundred million men, women, and children of the country who consume. These millions have no lobby, but they are to be sales-taxed over a billion dollars on everything they eat, drink, and wear, so that Wall Street profits may go untaxed or may be undertaxed. This lobby includes scores of men now taxed who are expected to appear before the Senate committee to voice their woes, while the sales-tax lobby is as boastful and brutal as the National Security League of like membership and fame, that blew up when its \$600,000 'educational' slush fund and Wall Street methods were exposed by Congress.

"The Wall Street Journal is recognized as a leader in this present sales-tax propaganda, for apart from its editorials the Journal printed a full-page 'advertisement' on March 17, page 7, demanding a sales tax—

I referred to a page advertisement in the Wall Street Journal that favored a sales tax—

"Therein this advertisement said of the recently enacted French sales tax: 'The yield is already proving unexpectedly satisfactory and there appears to be every reason that it will produce a much greater amount than had been anticipated in the budget estimates.'

"The Wall Street Journal carried that false statement throughout the country on March 17, although long prior to that date the New York press printed the fact that French budget estimates of January and February, 1921, were 487,000,000 francs and 413,000,000 francs, respectively, yet the actual receipts by the French Government for the same months had only been 187,000,000 francs and 151,000,000 francs, in round numbers, or a little over one-third of the estimates. At present values this reached only \$11,000,000 monthly for France, or less than 10 per cent of what is predicted here. In other words, the Journal was 63 per cent wrong on the most important statement in its full-page advertisement of March 17.

"No greater injustice could be done Congress than to send broadcast this glaring misstatement of the most important fact on which a sales-tax law was to be based. Was it a mistake on your part?

"Your Orcutt editorial of April 5 pretends to explain why a packed sales-tax crowd led by Bache and Rothschild, tax leaders, failed to capture a meeting of the National Industrial Tax Conference which had previously denounced a sales tax.

"The National Industrial Conference Tax Committee represented thousands of great industries, billions of dollars in the aggregate, and millions of laboring men employed, whereas Bache and Rothschild are New York stock brokers or jewelers. That committee squarely rejected the sales tax. Its authority was limited to its report, but you complain because a handful of Wall Street tax dodgers failed to capture the meeting. That is the burden of your editorial. Three members there present state your editorial criticism is a misstatement of fact."

Three members of that committee in my office all said that I had stated the facts correctly in the speech of January 31, and that there was no correction they had to make. And let me say this, that all men of great means are not in favor of a sales tax. Mr. R. P. Hazzard, who is at the head of the Hazzard Shoe Co., said in my office two or three days ago, "Mr. FREAR, it would be \$200,000 more a year interest to me to have the sales-tax provision passed, and yet I have been opposing it at every place I could, speaking against it constantly." Mr. Hazzard realizes, as he says, not only the injustice of putting this enormous tax burden upon the shoulders of the people, but beyond that comes the question of destroying many small companies that compete with his big company and other integrated concerns where he and they would have a great advantage through a turnover sales tax.

I am continuing to read from my letter to the Wall Street Journal:

"Your deliberate purpose to mislead and deceive is again emphasized. The contributor of your editorial, Mr. Orcutt, had an intimate knowledge of the tax meeting referred to and of my

speech. That you admit. He knew that I quoted in my speech of January 31 at length from official reports of two important committees, the national industrial tax committee and the United States Chamber of Commerce tax committee. Both committees repudiated any sales tax. Why did you not state in your editorial that the tax committee of the United States Chamber of Commerce, representing hundreds of thousands of business men of the country, not only reported unqualifiedly against any sales tax, but on February 21 reported on a referendum to the chambers of America, which was widely published in the press? Why did you not state that in this referendum 1,221½ votes favored an excise tax but opposed its imposition on articles of first necessity, with only 504½ votes opposed, contrary to the Journal's position? On the referendum of Should a sales tax be substituted for an excess-profits tax and excise tax? the vote was 706½ for and 857½ against, or a majority of 151 unit votes against. On the referendum of Should a sales tax be levied in addition to excess profits and excise? the vote was 767½ for and 894½ against, or 127 majority unit votes against. Why did you not give the facts where hundreds of thousands of business men were represented, as by these organizations, distinguished from a handful of Wall Street sales-tax boosters, whose money and publicity is their capital in trade?

"What more significant evidence of deliberate concealment of facts and of misstatement could be afforded than your unfair reference to one committee and concealment of the other? What effect does the excess-profits tax have on the advertising profits of your paper and of all the other large papers? Will you escape many thousands of dollars tax annually under a general sales tax law?"

ONE HUNDRED MILLION PEOPLE AGAINST A SALES TAX

"What do you honestly believe, Mr. Editor, is the sentiment of the 10,000,000 farmers and an equal number of laborers on whose backs the Wall Street Journal and its bulls and bears are trying to shift a billion-dollar tax burden now paid by the rich out of their profits? What is the sentiment of the millions upon millions of women and children who have no powerful lobby, no Wall Street Journal, no great slush fund, and no wide propaganda, but who confidently depend on Congress to protect them now and always? Is their opinion to be ignored?"

"What answer do you make, Mr. Editor, to the statement of Chairman Good, of the Appropriations Committee of the House, that 'a sales tax is a tax on the backs and bellies of the people, and any party passing such a law is certain to go down to defeat'? Yet you approve that iniquitous tax.

"The country knows those you represent are less than 5 per cent of the American people, men whose politics and principles are measured by personal interest or by the dollar mark, and many of them regard millions of jobless and of God's patient poor with unconcern or worse. Business interests such as you represent sent a great political party down to defeat eight years ago by use of money and the same tactics you now pursue.

"Do you not believe men responsible for placing a sales-tax burden on the people will be remembered for their action, even as those who burdened the people with the 1909 tariff bill, and do you not believe this effort of greed and extortion on the part of those who have profited in the past and who now lead the sales-tax effort in putting screws on the people is unjust?"

"Do you believe it is fair for the Journal to open on a humble Member of Congress with over a column editorial of misstatement and concealment in a cuttle-fish effort to obscure the issue? If you do not—and I assume you have an element of fairness that the advertising pages affected by existing excess-profits tax laws can not control—will you please give publicity to this needed correction of your editorial equal to that given your manifestly untrue editorial of April 5?"

"Very truly yours,

"JAMES A. FREAR."

Mr. Chairman, the other day I sent to the Members of the House my speech of January 31. I did it simply because you, like myself, have received some 600 letters with little to the contrary. All I wish to do is to bring this before your attention, and as long as I sit in Congress I shall try to bring to your attention propaganda presented only on the one side when the people back home have had no voice on the other side. No case as flagrant has occurred in years as this sales-tax lobby and sales-tax propaganda.

Mr. CONNALLY of Texas. If the excess-profits tax is to be repealed, what is the gentleman's idea as to how revenue shall be raised?

Mr. FREAR. One way in part is the bill of the gentleman from Ohio [Mr. Longworth], which is a good one, supported by Mr. Houston, of the Treasury Department, to put 6 per cent additional to the 10 per cent on the net profits of corporations, which will raise about \$450,000,000 according to their estimates. Rather than have a sales tax, I am willing to accept practically anything. Next, we might put a tax on undistributed profits, if necessary, which will raise about \$190,000,000 by the tax proper, according to Treasury estimates, and would realize about \$400,000,000 more according to the statement of the Treasury experts at that time, or nearly \$600,000,000 or over a billion dollars by those two items of revenue alone, in addition to nearly a billion dollars excess under present revenues for 1921, according to estimates.

Mr. CONNALLY of Texas. The gentleman recalls the statement in the President's message the other day that you gentlemen were committed to the repeal of the excess-profits tax.

Mr. FREAR. I heard the President's statement. I have no issue to join with him. I do not care to have any political issue raised

about this. Let me say this, if you gentlemen are sincere and honest in this thing, regarding your opposition to a sales tax, come and help us now to let Congress and the country know what efforts are being made to put through a sales tax. Do not wait until we do something on this side of the aisle and then complain about it. Why did you not pass a resolution against a sales tax yesterday in your caucus? Then was the time to help those of us who feel the same way about it, for I know many of you are opposed to that kind of a tax.

Mr. GARNER. Will the gentleman yield?

Mr. FREAR. I yield to the gentleman from Texas.

Mr. GARNER. Does the gentleman favor the taxes he has just suggested instead of the excess-profits tax?

Mr. FREAR. I would favor any of them by far in preference to a sales tax.

Mr. GARNER. I did not ask the gentleman that. I ask the gentleman personally whether he favors those taxes that he has enumerated instead of the excess-profits tax?

Mr. FREAR. I am glad the gentleman has asked me that, because the experts in the Treasury Department say there is no tax more fair than the excess-profits tax. I believe the men who are able to pay the taxes should pay them, and there is no one better able to pay than those who make excess profits.

Mr. BANKHEAD. Will the gentleman yield?

Mr. FREAR. I yield to the gentleman from Alabama.

Mr. BANKHEAD. Does the gentleman think there is any serious danger of his party imposing a sales tax as a revenue scheme?

Mr. FREAR. Oh, I wish I could tell the gentleman some things that I believe but do not know and that I can not speak of here. [Laughter.] Let me say that they are not of a political character, but I do know the situation, and the serious menace of a sales tax, and you know what is being done as well as I do in regard to it, because I have laid before you some of the data in my possession.

Mr. LONGWORTH. Let me suggest that a very large portion of the amount that would be lost by the repeal of the excess-profits tax will be raised at the customhouse under a bill which I trust will be shortly reported to the House.

Mr. FREAR. A good suggestion coming from the gentleman from Ohio—three hundred millions is an item of additional income which will be received from the customhouse under the new tariff bill, according to Treasury estimates. We also have proposals that will raise about \$2,500,000,000, so no possible excuse exists, in my judgment, for putting through a sales tax. I thank you. [Applause.]

Mr. Speaker, I have submitted with these remarks some observations on a turnover sales tax, that is not particularly involved in the bill before us, but it discloses from the lips of able tax experts that a manufacturers' tax which enables the manufacturer, jobber, wholesaler, and retailer to take his profits and a little extra, if need be, is equally objectionable when it fastens the tax upon the necessities of the consumer, rich and poor alike with certainty that the poor will pay far more proportionately than his rich neighbor who is endeavoring to eventually secure a sales tax as a substitute for the present income tax.

The income tax law was only obtained by constant struggles by the people. It was first defeated by a Supreme Court decision of 5 to 4 that attempted, with assumed constitutional authority, to prevent the imposition of an income tax. The minority opinion of four members of the court was so conclusive in character that Congress immediately offered a constitutional amendment to secure amplified power under the Constitution to pass another income tax law. Based upon that amendment and law, again the tremendous pressure by great financial organizations was felt and the court divided again five to four on the stock dividend decision, which emasculated the law and in effect has weakened the income-tax provision of the Constitution.

All this is familiar history to tax students, but it has a bearing to show the tremendous power which is now being exercised by these same wealthy individuals and interests that have failed permanently to prevent the income tax being levied upon them and who now seek to substitute a sales tax on the theory that 2¼ per cent tax is so small that it will not create opposition, but the camel's nose under the tent will be pressed to a much higher extent, either by a larger rate, like the 6 per cent manufacturers' tax rate now in Australia, or by a turnover sales tax, if it can be successfully pressed on Congress as heretofore attempted.

Let me say frankly that is the avowed purpose of those now urging the tax, but I am sure it is in no way chargeable to some of those who are defending it at the present time. They have been captured by the pleasing cry of balancing the Budget, and instead of placing taxes where they belong—upon those best able to pay—they are flirting

with a tax that once accepted and placed in the statute will be a Sinbad burden, only to be unloaded by some general revulsion of sentiment, political or otherwise, throughout the country.

On March 14, this week, I sent a letter to my colleagues of the House, of which the following is a copy:

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D. C., March 14, 1932.

DEAR COLLEAGUE: Do we want a sales tax? A head tax or poll tax in its effect, it discards the principle of comparative income or ability to pay, but taxes consumption. In the RECORD of Friday, March 11 last, pages 5818 to 5836, is found quoted nearly a score of eminent tax experts and farm and labor organizations in this country and in Canada in opposition to a sales tax, taken from a former speech. Although then urged by the Treasury, that tax was defeated by the House committee—and other tax sources found.

Vigorous opposition was expressed by these witnesses against alleged efforts to substitute a sales tax for income and other taxes. Arguments against the tax by labor and farm organizations and all others in 1921 apply especially in these days of business depression and unemployment when the people are demanding bread for relief instead of a stone.

None of these witnesses apparently were heard in the recent committee hearings. A manufacturers' tax with profits of jobbers, wholesalers, and retailers is usually passed on to the consumer. Ex-Senator Hardwick, Georgia, testified in 1920 before the committee that such increase, in cases cited, might reach 100 per cent over the original sales price. Witnesses in opposition to a sales tax will also be found in my speeches of January 31, December 21, and April 14, all in 1921, and February 21 in 1922.

The Canadian sales tax produced \$38,000,000 in 1920-21, \$100,000,000 in 1923-24, and only \$20,000,000 in 1930-31. (Hearings, p. 249.) Change in character and rates should be studied, when England, though badly depressed, has steadily refused to follow her two colonies with this unjust tax that carries a rate of 4 per cent in Canada and 6 per cent in Australia, rates later to be urged on Congress by strong influences.

No substitute taxes need be suggested. The gift tax on \$50,000 is only started at 1½ per cent. The estate tax should not remit 80 per cent for State credits. Increased tax is justified on cigarettes, now costing three times as much in Canada. (Hearings, p. 246.) Tax on gasoline of 1 cent and on car and truck sales, with other items, will be more just to 95 per cent of America's consumers than a sales tax.

If, as predicted by the press, this \$600,000,000 consumption tax remains in the House bill, the Senate may substitute some other tax for one which England rejects and all tax experts I have quoted declare is against correct principles of taxation—a tax on necessities that will increase the prevailing distress and discontent.

Very truly yours,

JAMES A. FREAR.

Mr. Speaker, although the time is too limited to obtain any extended statements from organizations that militantly opposed the sales tax when last sought to be fastened upon consumers, I offer the opinion of leading officials of the American Federation of Labor, appearing a few days ago in the following statement:

[From the American Federation of Labor official information service]

William Green, president of the American Federation of Labor, issued the following statement to-day regarding the proposed sales tax now being considered by Congress:

"The sales-tax provision of the pending taxation legislation is strongly opposed by the American Federation of Labor. This position of the American Federation of Labor is based upon its traditional opposition to all forms of sales-tax legislation. Whatever argument is offered in support of sales-tax legislation during periods of reasonable prosperity can not apply now. The existing economic situation adds to the strength of argument against the imposition of such a character of taxation. The sales tax would fall more heavily upon the masses of the people who are now suffering from unemployment than upon any other group of our citizenship. To add a sales tax to the reductions of wages which have been imposed upon wage earners during the last year would mean addition to the misery, woe, and want which now prevail throughout the land.

"How can men and women who are unable to buy the bare necessities of life be expected to pay a sales tax upon the limited merchandise which they are able to buy? This proposed manufacturers' sales tax will affect the sale of clothes, shoes, and a large percentage of foodstuffs. To impose this sales tax upon these necessities of life would mean that the masses, who are now purchasing only a limited amount, would be compelled to buy still less. It is a form of taxation which is contrary to the basis upon which we have always built our tax structure, namely, to relieve those who are least able and collect from those who are best able to pay.

"The Democratic convention, held in 1924, adopted the following declaration: 'We oppose the so-called nuisance taxes, sales taxes, and all other forms of taxation that unfairly shift to the

consumer the burdens of taxation.' So far as the record shows this position, assumed by the Democratic convention in 1924, has never been changed or modified. In the light of this declaration, it is now difficult to understand how and why the majority party in Congress should favor this character of legislation.

"The membership of organized labor holds that the burden of taxation must be equitably distributed upon all classes of people. The sales tax violates this sound principle because, in operation, it imposes a burden upon those who are unable to bear it. Such a tax as the proposed sales tax will tend to delay a return to prosperity. It will further destroy the very limited buying power now possessed by the masses of the people. It will prevent the sale of manufactured goods and it will mean less food, warmth, and clothing for millions of men, women, and children. Labor will call upon its friends in Congress to defeat that section of the taxation measure which provides for a sales tax."

Here is advice from the National Grange, Washington, D. C., March 17, 1932:

Hon. JAMES A. FREAR,

House Office Building, Washington, D. C.

DEAR MR. FREAR: Replying to your letter of recent date, I note what you have to say regarding that feature of the new revenue bill relating to the sales-tax proposal. If the proposed sales tax should be enacted, according to my advice it would cost the 6,000,000 farm families of America at least \$300,000,000 a year due to pyramiding.

In answer to your question as to whether the Grange would still oppose the imposition of a sales tax if canned goods were exempted, I beg to say with emphasis that we would still be against it.

As the Washington representative of the Grange, I was one of the first witnesses to appear before the Ways and Means Committee in connection with the hearings on the revenue bill. I told the members of the committee that we were opposed to a sales tax, because it was a tax on the necessities of the people and ignored the principle of ability to pay.

It was not until shortly before the bill appeared that we began to hear rumors that the committee was seriously considering a general sales tax. We had no definite knowledge on the subject.

If the bill passes the House with the sales-tax proposal included, we shall, of course, fight it in the Senate. However, we hope that the provisions for a sales tax may be stricken from the bill in the House. Otherwise, even if it should be defeated in the Senate, complications might ensue in conference.

I am convinced that if this legislation could be held up long enough to get the reaction of the people back home, the sales tax would not pass. In view of the condition of the rank and file of the people throughout the country, the proposal for a sales tax is nothing short of a legislative monstrosity. It should be killed and buried beyond hope of resurrection.

I am inclosing herewith a copy of a letter on the subject which has been sent to all Members of Congress.

Sincerely yours,

FRED BRECKMAN,
Washington Representative.

THE NATIONAL GRANGE,
Washington, D. C., March 15, 1932.

To the Members of Congress:

We recognize the unpleasant duty with which Congress is confronted in framing legislation to balance the Federal Budget, but we desire to register an emphatic protest against that feature of the new revenue bill which calls for the imposition of a sales tax.

It is conceded that there are approximately 8,000,000 unemployed people in the United States at this time. Adding their dependents it would probably be conservative to say that 25,000,000 people are without any income to-day and many of them are subsisting upon charity. The disproportionate burdens of taxation which have been placed upon agriculture, together with the collapse of prices received for farm products, have worked the virtual ruin of our farmers. Combining the unemployed in our industrial centers with the agricultural population gives us a total of more than 50,000,000 people whose purchasing power has been greatly impaired or wholly destroyed.

Further than that, on December 7, 1931, in response to a request for information from a Member of Congress, the then Secretary of the Treasury, Andrew W. Mellon, stated that there were unpaid taxes due the Government and pending on appeal amounting to almost a billion dollars. These taxes are due principally for 1929 and previous years. Speeding up adjustments and collections in these cases would bring hundreds of millions of dollars into the Federal Treasury and would, to that extent, obviate the necessity for imposing new taxes.

The imposition of a general sales tax would meet with the unqualified disapproval of the 27,000,000 people upon the farms of this country. The effects of such a tax under prevailing conditions would not only be oppressive but would delay the return of prosperity, and could not be justified.

Yours respectfully,

THE NATIONAL GRANGE,
FRED BRECKMAN,
Washington Representative.

This word is from the Farmers Union:

THE FARMERS' EDUCATIONAL AND
COOPERATIVE UNION OF AMERICA,
Washington, D. C., March 16, 1932.

HON. JAMES A. FREAR,

United States Representative, Washington, D. C.

DEAR CONGRESSMAN: I sent telegrams to every State headquarters of the Farmers' Union about a week ago asking them to have their members to send telegrams and write letters to their respective Congressmen and Senators asking them to oppose the sales tax.

Yours truly,

JOHN A. SIMPSON, President.

This is a brief that speaks for itself about Canadian taxes.

MEMO FROM BRIEF PREPARED BY CANADIAN MANUFACTURERS'
ASSOCIATION—TAXATION

It seems inevitable that the basis of taxation must be broadened, i. e., more people will have to pay taxes according to their ability.

Last year a special committee of the Canadian Manufacturers' Association, in cooperation with other organizations, investigated the problems of taxation, not only in Canada but also in the United States, Great Britain, France, and other countries. This committee submitted the following recommendations to the Dominion Government:

(a) That the business profits war tax shall not be reenacted.

(b) That the income war tax act as regards corporations shall be repealed.

(c) That the present sales tax shall be adjusted so as to provide the additional revenue needed by the Dominion Government.

At the last session of Parliament the business profits war tax act was not reenacted; the sales tax was readjusted so as to provide additional revenue, but the income war tax act as regards corporations was not changed.

As we believe that the general policy outlined in these proposals is sound, we respectfully beg to submit the following similar representations to the present Government of Canada in the hope that Parliament will see fit to act favorably on them at the coming session:

(a) That duplication of taxation be avoided as much as possible.

(b) That the income war tax act as regards corporations shall be repealed.

(c) That the present sales tax shall be adjusted so as to provide additional revenue.

In considering (a) and (b) attention is drawn to the case of a company operating in all the nine Provinces of Canada. This company is taxed by the Dominion Government; it is taxed by each of all cases as a corporation, its shareholders are also taxed by the Dominion, provincial and municipal government on property, business, dividends, and income.

We submit that the Dominion Government should make an arrangement with the provincial governments, whereby this duplication would be, in part at least, avoided.

In regard to the sales tax we beg to advocate:

"That as the sales tax is a tax payable by the purchaser, manufacturers and wholesalers should not be held liable for any taxes which they can not collect owing to the purchaser becoming insolvent or refusing to pay, even though the manufacturer or wholesaler has in the meantime advanced the amount of the tax to the Government when making his monthly returns."

Mr. Speaker, here is a novel provision, that a taxpayer, whose business it is to collect his tax before delivery of goods to the wholesaler, is to be exempt from taxes passed on to the consumer after the wholesaler fails to pay for the goods. It is one of the inconsistencies that makes a sales tax unjust and objectionable.

The foregoing remarks are submitted, and without summing up let me say that, without reflection upon the committee's report, the sales-tax feature based on the hearings is not supported by any witness except as to painless administration by some official.

The policy was not approved for a temporary or permanent tax.

The reports contained in speeches oppose unanimously a consumers' tax, because a tax on necessities. For these reasons I submit the manufacturers' sales tax should be stricken from the bill.

Here is a last letter just received:

THE FARMERS' EDUCATIONAL AND
COOPERATIVE UNION OF AMERICA,
Washington, D. C., March 17, 1932.

HON. JAMES A. FREAR,

United States Representative, Washington, D. C.

DEAR CONGRESSMAN: The Grange, the Farm Bureau, and the Farmers' Union all testified before the Ways and Means Committee against a sales tax. We are against it now. Our members all over the United States are writing their Congressmen and Senators and sending them telegrams saying they are against the sales tax.

I do not know whether Canadian farm organizations favor a sales tax or not. I would gamble a little that they do not favor it.

We three farm organizations did not believe a sales tax was being seriously considered by the Ways and Means Committee. We shall certainly go before the Senate committee if the House passes the tax bill with the sales tax in it.

We, the farmers, feel that for three months Congress has been passing large quantities of candy out to the big bankers, railroads, and other big business without any of it getting to the farmers. We consider that we have been rankly discriminated against in the blessings bestowed by the Government. But we are amazed to find that when there is a load to carry the burden is shoved onto our backs.

I predict there are more voters in the Nation watching this sales tax than any one measure that has arisen in Congress since the World War.

Yours truly,

JOHN A. SIMPSON, President.

ADJOURNMENT

Mr. RAGON. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 10 o'clock and 30 minutes p. m.) the House adjourned until to-morrow, Friday, March 18, 1932, at 12 o'clock noon.

COMMITTEE HEARINGS

Mr. RAINEY submitted the following tentative list of committee hearings scheduled for Friday, March 18, 1932, as reported to the floor leader by clerks of the several committees:

COMMITTEE ON BANKING AND CURRENCY

(10.30 a. m.)

Stabilization measures.

COMMITTEE ON THE DISTRICT OF COLUMBIA AND SUBCOMMITTEE ON THE JUDICIARY

(10.30 a. m.)

A bill to amend the act regulating the employment of minors.

PUBLIC LANDS COMMITTEE

(10 a. m.)

Public domain (H. R. 5840).

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

(10 a. m.)

Railroad holding companies (H. R. 9059).

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of Rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

489. A letter from the Comptroller General, transmitting a report and recommendation to the Congress concerning the claim of the Franklin Surety Co. against the United States, pursuant to the act of April 10, 1928 (45 Stat. 413); to the Committee on Claims.

490. A letter from the Secretary of War, transmitting a report dated March 15, 1932, from the Chief of Engineers, United States Army, on Wolf River, Wis. (H. Doc. No. 276); to the Committee on Rivers and Harbors and ordered to be printed, with illustrations.

491. A communication from the President of the United States, transmitting for the consideration of Congress a supplemental estimate of appropriation for the District of Columbia, fiscal year 1933, to be immediately available, \$600,000 for unemployment relief to residents of the District of Columbia, and also an amendment to the estimate contained in the Budget for the fiscal year 1933, for Municipal Center, District of Columbia, reducing the amount from \$1,600,000 to \$1,000,000 (H. Doc. No. 277); to the Committee on Appropriations and ordered to be printed.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of Rule XIII,

Mr. SPARKS: Committee on the Judiciary. H. J. Res. 97. Joint resolution proposing to amend the Constitution of the United States to exclude aliens in counting the whole number of persons in each State for apportionment of Represent-

tatives among the several States; with amendment (Rept. No. 823). Referred to the House Calendar.

Mr. CARTWRIGHT: Committee on Indian Affairs. S. 1719. An act amending the act of Congress entitled "An act authorizing the Wichita and affiliated bands of Indians in Oklahoma to submit claims to the Court of Claims" approved June 4, 1924; without amendment (Rept. No. 825). Referred to the Committee of the Whole House on the state of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of Rule XIII,

Mr. BLACK: Committee on Claims. H. R. 6339. A bill for the relief of O. R. York; with amendment (Rept. No. 822). Referred to the Committee of the Whole House.

Mr. BLACK: Committee on Claims. S. 83. An act for the relief of Margaret Crotty; without amendment (Rept. No. 824). Referred to the Committee of the Whole House.

Mr. EATON of Colorado: Committee on Public Lands. H. R. 6437. A bill to authorize the issuance of patents for certain lands in the State of Colorado to certain persons; with amendment (Rept. No. 836). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of Rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. THOMASON: A bill (H. R. 10585) authorizing the Fort Hancock-Porvenir Bridge Co., its successors and assigns, to construct, maintain, and operate a bridge across the Rio Grande at Fort Hancock, Tex.; to the Committee on Interstate and Foreign Commerce.

By Mr. SUMNERS of Texas: A bill (H. R. 10586) to reduce the number of court officials in the Territory of Alaska; to the Committee on the Judiciary.

Also, a bill (H. R. 10587) to provide for alternate jurors in certain criminal cases; to the Committee on the Judiciary.

Also, a bill (H. R. 10588) to provide punishment for killing or assaulting Federal officers; to the Committee on the Judiciary.

Also, a bill (H. R. 10589) to amend section 289 of the Criminal Code; to the Committee on the Judiciary.

Also, a bill (H. R. 10590) to prohibit the misuse of official insignia; to the Committee on the Judiciary.

Also, a bill (H. R. 10591) providing for waiver of prosecution by indictment in certain criminal proceedings; to the Committee on the Judiciary.

Also, a bill (H. R. 10592) to abolish bailiffs and criers in the United States courts and to provide for the performance of their duties by United States marshals and their deputies, and for other purposes; to the Committee on the Judiciary.

Also, a bill (H. R. 10593) to amend section 1025 of the Revised Statutes of the United States; to the Committee on the Judiciary.

Also, a bill (H. R. 10594) to amend the first paragraph of section 24 of the Judicial Code; to the Committee on the Judiciary.

Also, a bill (H. R. 10595) to amend a part of section 1 of the act of May 27, 1908, chapter 200, as amended (U. S. C., sec. 592, title 28); to the Committee on the Judiciary.

Also, a bill (H. R. 10596) to amend an act entitled "An act to make persons charged with crimes and offenses competent witnesses in United States and Territorial courts," approved March 16, 1878, with respect to the competency of husband and wife to testify for or against each other; to the Committee on the Judiciary.

Also, a bill (H. R. 10597) to amend section 109 of the act entitled "An act to codify, revise, and amend the penal laws of the United States," approved March 4, 1909, and for other purposes; to the Committee on the Judiciary.

Also, a bill (H. R. 10598) to provide for the transportation of certain juvenile offenders to States under the law of which they have committed offenses or are delinquent, and for other purposes; to the Committee on the Judiciary.

Also, a bill (H. R. 10599) to fix the date when sentence of imprisonment shall begin to run, providing when the allowance to a prisoner of time for good conduct shall begin to run, and further to extend the provisions of the parole laws; to the Committee on the Judiciary.

By Mr. DICKSTEIN: A bill (H. R. 10600) to exempt from the quota husbands of American citizens; to the Committee on Immigration and Naturalization.

By Mr. WYANT: A bill (H. R. 10601) providing an import duty upon coal, anthracite, semianthracite, bituminous, semibituminous, culm, slack, and shale; coke; compositions used for fuel in which coal or coal dust is the component material of chief value, whether in briquets or other form; to the Committee on Ways and Means.

By Mr. MOORE of Kentucky: A bill (H. R. 10602) to further restrict immigration into the United States; to the Committee on Immigration and Naturalization.

By Mr. YON: A bill (H. R. 10603) to authorize an appropriation for levee construction and other flood-control works at Caryville, Fla., on the Choctawhatchee River, Fla.; to the Committee on Flood Control.

By Mr. McCORMACK: A bill (H. R. 10604) to secure the increase of migratory wild fowl and other game, to provide revenue for accomplishing the purpose of this act, and for other purposes; to the Committee on Ways and Means.

By Mr. CRISP: Joint resolution (H. J. Res. 336) construing section 503 (b) of the tariff act of 1930; to the Committee on Ways and Means.

Also, joint resolution (H. J. Res. 337) authorizing corporations in computing net income to take as deductions from gross income amounts contributed for unemployment-relief purposes; to the Committee on Ways and Means.

By Mrs. NORTON: Joint resolution (H. J. Res. 338) to provide for the creation of a joint committee of the Senate and House of Representatives of the United States to make a study of the laws and government of the District of Columbia, and for other purposes; to the Committee on Rules.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BOHN: A bill (H. R. 10605) for the relief of Ralph W. Daggett, former lieutenant, Finance Department, United States Army; to the Committee on Claims.

By Mr. BUTLER: A bill (H. R. 10606) granting a pension to James M. Davis; to the Committee on Pensions.

Also, a bill (H. R. 10607) granting a pension to Ida Rines; to the Committee on Pensions.

Also, a bill (H. R. 10608) granting a pension to Robert Harms; to the Committee on Pensions.

By Mr. CABLE: A bill (H. R. 10609) granting an increase of pension to Maria Hurley; to the Committee on Invalid Pensions.

By Mr. CRAIL: A bill (H. R. 10610) for the relief of Bertha Ingmire; to the Committee on Claims.

Also, a bill (H. R. 10611) for the relief of the Hermosa-Redondo Hospital, C. Max Anderson, Julian O. Wilke, Curtis A. Wherry, Hollie B. Murray, Ruth M. Laird, Sigrid I. Olsen, and Stella S. Guy; to the Committee on Claims.

By Mr. CULKIN: A bill (H. R. 10612) granting an increase of pension to Annie Williams; to the Committee on Invalid Pensions.

By Mr. DAVILA: A bill (H. R. 10613) for the relief of J. C. Besosa; to the Committee on Insular Affairs.

By Mr. DEROUEN: A bill (H. R. 10614) providing for an examination and survey of the Vinton Waterway, La.; to the Committee on Rivers and Harbors.

By Mr. DYER: A bill (H. R. 10615) to provide for the appointment of Claude J. Huff as a warrant officer, United States Army; to the Committee on Military Affairs.

By Mr. FREE: A bill (H. R. 10616) authorizing the Secretary of War to convey certain portions of the military reservation at Monterey, Calif., to the city of Monterey, Calif., for the widening of Lighthouse Road; to the Committee on Military Affairs.

By Mr. GARRETT: A bill (H. R. 10617) authorizing the President to order Donald O. Miller before a retiring board for a hearing of his case and upon the findings of such board determine whether or not he be placed on the retired list with the rank and pay held by him at the time of his separation from service; to the Committee on Military Affairs.

By Mr. HOCH: A bill (H. R. 10618) granting an increase of pension to Rosetta Cunningham; to the Committee on Invalid Pensions.

By Mr. HOGG of Indiana: A bill (H. R. 10619) granting an increase of pension to Develia Taylor; to the Committee on Invalid Pensions.

By Mr. HOLLISTER: A bill (H. R. 10620) granting an increase of pension to Anna E. Kaney; to the Committee on Invalid Pensions.

By Mr. KLEBERG: A bill (H. R. 10621) for the relief of Augusta Burkett; to the Committee on Claims.

By Mr. McCLINTOCK of Ohio: A bill (H. R. 10622) granting an increase of pension to Margaret K. Maiers; to the Committee on Invalid Pensions.

By Mr. MARTIN of Massachusetts: A bill (H. R. 10623) granting a pension to Emma Delano; to the Committee on Invalid Pensions.

By Mr. MARTIN of Oregon: A bill (H. R. 10624) for the relief of Philip McEntee; to the Committee on Military Affairs.

By Mr. MICHENER: A bill (H. R. 10625) to permit the United States to be made a party defendant in certain cases; to the Committee on the Judiciary.

By Mr. MURPHY: A bill (H. R. 10626) granting an increase of pension to Elizabeth Conaway; to the committee on Invalid Pensions.

By Mr. O'CONNOR: A bill (H. R. 10627) for the relief of Patrick McKernan; to the Committee on Naval Affairs.

By Mr. PATTERSON: A bill (H. R. 10628) granting a pension to Andrew J. Watts; to the Committee on Pensions.

By Mr. PEAVEY: A bill (H. R. 10629) granting a pension to Harvey L. Pierce; to the Committee on Pensions.

By Mr. PITTENGER: A bill (H. R. 10630) granting a pension to Flora Evans; to the Committee on Pensions.

By Mr. REILLY: A bill (H. R. 10631) for the relief of A. White; to the Committee on Claims.

By Mr. SMITH of Idaho: A bill (H. R. 10632) granting an increase of pension to Samantha E. Knapp; to the Committee on Invalid Pensions.

By Mr. WELCH of California: A bill (H. R. 10633) for the relief of Martin J. Blazeovich; to the Committee on Claims.

By Mr. WHITE: A bill (H. R. 10634) granting an increase of pension to Cornelia L. Rowe; to the Committee on Invalid Pensions.

By Mr. WIGGLESWORTH: A bill (H. R. 10635) for the relief of James J. Black; to the Committee on Military Affairs.

By Mr. WOOD of Indiana: A bill (H. R. 10636) authorizing longevity pay to Capt. James L. Glascock; to the Committee on Claims.

By Mr. MOORE of Ohio: A bill (H. R. 10637) to provide emergency reductions in the payments of salaries or other pay by the United States; to the Committee on Expenditures in the Executive Departments.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

4493. By Mr. AYRES: Petition of citizens of South Haven, Kans., opposing any modification, resubmission, or repeal of the prohibition law; to the Committee on the Judiciary.

4494. By Mr. BACHARACH: Petition of St. Michael's Society of the Egg Harbor City (N. J.) Branch of the Catholic Central Verein of America, favoring the modification of the Volstead Act and the repeal of the eighteenth amendment; to the Committee on the Judiciary.

4495. By Mr. BOHN: Petition of Michigan Engineering Society, Detroit, Mich., requesting that the present associa-

tion of the Corps of Engineers, United States, be maintained in connection with the development of rivers and harbors; to the Committee on Rivers and Harbors.

4496. By Mr. CORNING: Petition signed by Howard W. Connelly and other citizens of Albany, N. Y., protesting against the proposed reduction of our national defense and favoring House bill 5659; to the Committee on Appropriations.

4497. By Mr. EATON of Colorado: Resolutions of John Borelli Chapter, No. 7, Disabled American Veterans of the World War, of 2031 West Thirty-seventh Avenue, Denver, Colo., asking for additional funds for carrying on the work of the United States Employment Service; to the Committee on Appropriations.

4498. By Mr. EVANS of California: Petition signed by approximately 95 citizens, protesting against compulsory Sunday observance; to the Committee on the District of Columbia.

4499. Also, petition signed by approximately 75 citizens, supporting the maintenance of the prohibition law and its enforcement; to the Committee on the Judiciary.

4500. By Mr. GOLDSBOROUGH: Petition of the Woman's Christian Temperance Union of Crumpton, Md., requesting legislation and enforcement of law, and opposing resubmission of the eighteenth amendment to be ratified by State conventions or by State legislatures, and favoring adequate appropriations for law enforcement and for education in law observance; to the Committee on the Judiciary.

4501. By Mr. HALL of North Dakota: Petition of Bottineau Woman's Christian Temperance Union of Bottineau, N. Dak., protesting against the resubmission to the States or repeal of the eighteenth amendment; to the Committee on the Judiciary.

4502. By Mr. JAMES: Memorial of Theodore Pociota, president, Paul Jowovowski, secretary, Joseph Mileski, treasurer, Group 1461, of the Polish National Alliance of the United States of North America, of the city of Iron River, Mich., memorializing Congress to enact House Joint Resolution 144; to the Committee on the Judiciary.

4503. Also, petition of the Women's Catholic Order of Foresters, Court 501, of Calumet, Mich., through Katherine Hlenich, president, Catherine Likovich, recording secretary, and Rev. L. F. Klopac, chaplain, favoring the tariff on copper; to the Committee on Ways and Means.

4504. By Mr. JOHNSON of Texas: Petition of 226 World War veterans of Navarro County, Tex., favoring immediate cash payment of the balance due on adjusted-service certificates; to the Committee on Ways and Means.

4505. Also, petition of Hon. J. Felton Lane, Hearne, Tex., favoring Federal regulation of interstate transportation by motor vehicles; to the Committee on Interstate and Foreign Commerce.

4506. Also, petition of John E. Cooke, of Rockdale, Tex., vice president National Editorial Association, favoring House bill 8576; to the Committee on the Post Office and Post Roads.

4507. By Mr. KVALE: Petition of Hector Local, No. 257, of the Farmers Union, Hector, Minn., protesting against the imposition of a sales tax and a gasoline tax; to the Committee on Ways and Means.

4508. Also, petition of Farmers Union, Local No. 219, Big Stone County, Minn., urging enactment of Senate bill 1197; to the Committee on Banking and Currency.

4509. Also, petition of Marine Corps League, North Central Division, urging enactment of House bill 1; to the Committee on Ways and Means.

4510. Also, petition of executive committee, Twin City Milk Producers' Association, Minnesota, urging reduction of Government expenditures; to the Committee on Ways and Means.

4511. Also, petition of Lac qui Parle County Farmers Union, Minnesota, urging enactment of Senate bill 1197; to the Committee on Banking and Currency.

4512. Also, petition of Lac qui Parle County Farmers Union, Minnesota, urging enactment of Senate bill 2487 and House bill 7797; to the Committee on Agriculture.

4513. Also, petition of 48 taxpayers in Chippewa County, Minn., urging enactment of Senate bill 1197; to the Committee on Banking and Currency.

4514. Also, petition of 48 taxpayers in Chippewa County, Minn., urging enactment of Senate bill 2487 and House bill 7797; to the Committee on Agriculture.

4515. Also, petition of 48 taxpayers of Chippewa County, Minn., urging enactment of House bill 8930; to the Committee on the Judiciary.

4516. Also, petition of taxpayers of Palmyra Township, Minn., protesting against the imposition of a Federal gasoline tax; to the Committee on Ways and Means.

4517. Also, petition of Lake Marshall Farm Bureau Unit, Marshall, Minn., protesting against House bill 10236; to the Committee on Ways and Means.

4518. Also, petition of Ladies' Auxiliary No. 1639, Veterans of Foreign Wars, Willmar, Minn., urging enactment of House bill 1; to the Committee on Ways and Means.

4519. Also, petition of taxpayers of Lake Elizabeth Township, Minn., urging enactment of Senate bill 1197; to the Committee on Banking and Currency.

4520. Also, petition of taxpayers of Lake Elizabeth Township, Minn., urging enactment of Senate bill 2487; to the Committee on Agriculture.

4521. Also, petition of Renville County Farmers' Union, Minnesota, protesting against the proposed sales tax; to the Committee on Ways and Means.

4522. Also, petition of 28 residents of the seventh district of Minnesota, protesting against House bill 8092; to the Committee on the District of Columbia.

4523. Also, petition of Farmers Union, Local No. 160, Odessa, Minn., protesting against the imposition of a sales tax; to the Committee on Ways and Means.

4524. Also, petition of the American Legion Auxiliary, Robert LeRoy Adamson Unit, No. 30, Fergus Falls, Minn., urging support of the American Legion's national legislative program and particularly the widows and orphans' bill; to the Committee on World War Veterans' Legislation.

4525. Also, petition of Farmers Union, township of Burton, Yellow Medicine County, Minn., protesting against the imposition of a Federal gasoline tax; to the Committee on Ways and Means.

4526. Also, petition of Alta Vista Local, No. 116, and the Wergeland Local, No. 120, of the Farmers Union of Minnesota, urging enactment of Senate bill 2487 and House bill 7797; to the Committee on Agriculture.

4527. Also, petition of Alta Vista Local, No. 116, and Wergeland Local, No. 120, of Minnesota, urging enactment of Senate bill 1197; to the Committee on Banking and Currency.

4528. Also, petition of American Legion, Adwell-Ashley Post, No. 180, Renville, Minn., indorsing House bill 6305; to the Committee on the Post Office and Post Roads.

4529. Also, petition of Farmers Union Local, No. 178, Arco, Minn., protesting against the imposition of a Federal tax on gasoline; to the Committee on Ways and Means.

4530. Also, petition of the Cloverlea Club, Appleton, Minn., protesting against the imposition of a Federal tax on gasoline; to the Committee on Ways and Means.

4531. Also, petition of Thorpe Local, No. 174, of the Farmers Union, protesting against the imposition of a Federal gasoline tax; to the Committee on Ways and Means.

4532. Also, petition of 57 residents of the township of Edeson, Swift County, protesting against the imposition of a Federal gasoline tax; to the Committee on Ways and Means.

4533. Also, petition of Stanley and Clifton Locals of the Farmers Union of Minnesota, protesting against the imposition of a Federal gas tax; to the Committee on Ways and Means.

4534. Also, petition of Farmers Union, Local of Everington Center, Worthington, Minn., urging enactment of Senate bill 2487; to the Committee on Agriculture.

4535. Also, petition of Farmers Union, Local of Everington Center, Minn., urging enactment of Senate bill 1197; to the Committee on Banking and Currency.

4536. Also, petition of Svea National Farm Loan Association of Willmar, Minn., urging enactment of Senate bill 1197; to the Committee on Banking and Currency.

4537. Also, petition of Post No. 113 of the American Legion, Marshall, Minn., urging enactment of House bill 1; to the Committee on Ways and Means.

4538. By Mr. LAMBERTSON: Petition of Ruth Walter and 174 other persons of Bendena, Troy, Leona, Severance, Robinson, Topeka, Hiawatha, and Denton, and resolutions of the Woman's Christian Temperance Union of Troy, and the Doniphan County Council of Religious Education, all of the State of Kansas, urging the maintenance of the prohibition law and its enforcement, and opposing any measure of repeal, modification, or resubmission to the States; to the Committee on the Judiciary.

4539. By Mr. LEA: Petition of approximately 303 residents of Chico and Butte Counties, Calif., protesting against compulsory Sunday observance and Senate bill 1202; to the Committee on the District of Columbia.

4540. By Mr. LINDSAY: Petition of Seeman Bros., New York City, favoring a certain amendment to the sales tax; to the Committee on Ways and Means.

4541. Also, petition of Hon. T. L. Wolfe, Mount Vernon, Iowa, representative of the Iowa State Legislature, favoring the passage of House bill 4668; to the Committee on Flood Control.

4542. By Mr. PARKER of Georgia: Petition of the Pierpont Manufacturing Co. and Barts' Bakery, of Savannah, and the J. K. Orr Shoe Co., of Atlanta, Ga., protesting against certain phases of proposed tax legislation; to the Committee on Ways and Means.

4543. By Mr. RAINEY: Petition of veterans of the World War of Joliet, Ill., asking that the World War veterans' adjusted-service compensation certificates be paid at once; to the Committee on Ways and Means.

4544. By Mr. RICH: Petition of First Methodist Church, Renovo, Pa.; to the Committee on the Judiciary.

4545. By Mr. ROBINSON: Petition of the members of the Farmers Educational and Cooperative Union of America, signed by William Boyenga, Geneva, Iowa, and 12 others, urging the passage of House bill 7797 and Senate bills 1197 and 2487; to the Committee on Agriculture.

4546. By Mr. RUDD: Petition of American Committee on the Far Eastern Crisis, additional signatories to the Lowell petition; to the Committee on Foreign Affairs.

4547. Also, petition of T. L. Wolfe, Mount Vernon, Iowa, favoring the passage of House bill 4668; to the Committee on Flood Control.

4548. Also, petition of Seeman Bros., New York City, favoring amendment to the sales tax regulations, section 616; to the Committee on Ways and Means.

4549. Also, petition of F. Weidner Printing & Publishing Co., Brooklyn, N. Y., favoring the passage of the Romjue bill (H. R. 8576); to the Committee on Ways and Means.

4550. By Mr. SINCLAIR: Petition of Mrs. J. C. Miller, president of the Woman's Christian Temperance Union of Bottineau, N. Dak., favoring the maintenance of prohibition law and its enforcement; to the Committee on the Judiciary.

4551. By Mr. SMITH of Idaho: Petition signed by 49 residents of Twin Falls County, Idaho, protesting against the enactment of House bill 8092 compelling barbers to observe Sunday in the District of Columbia; to the Committee on the District of Columbia.

4552. By Mr. SMITH of West Virginia: Petition of residents of Charleston, W. Va., opposing any legislation providing compulsory Sunday observance; to the Committee on the District of Columbia.

4553. By Mr. SWANSON: Petition of W. H. Lainson and others protesting against compulsory Sunday observance in the District of Columbia; to the Committee on the District of Columbia.

4554. By Mr. SWICK: Petition of Group 2199, Anna Walak, president Polish National Alliance of the United States, 149 Fourth Avenue, Aliquippa, Pa., urging the enactment of House Joint Resolution 144 directing the President to proclaim October 11 of each year as General Pulaski's

Memorial Day for the observance and commemoration of the death of Brig. Gen. Casimir Pulaski; to the Committee on the Judiciary.

4555. Also, petition of Group 1483 of the Polish National Alliance of the United States, Kazimierz Duplaga, president, 150 Fourth Avenue, Aliquippa, Pa., urging the enactment of House Joint Resolution 144 directing the President to proclaim October 11 of each year as General Pulaski's Memorial Day for the observance and commemoration of the death of Brig. Gen. Casimir Pulaski; to the Committee on the Judiciary.

4556. By Mr. TEMPLE: Petition of Warren Powers Laird, dean, School of Fine Arts, University of Pennsylvania, Philadelphia, Pa., supporting House bill 9892 providing for the participation of the National Government in the International Congress of Architects; to the Committee on Foreign Affairs.

4557. Also, petition of Frank Gubitti, of Bertha; A. J. Greaves and Harry Underwood, of West Brownsville; Sebastian Deoloba, of Brownsville; F. W. Willis, E. T. Layton, Preston Briggs, and James W. Barbour, of Washington; Charles A. Richert, Charles Lewellyn, LeRoy S. Lenker, Walter C. DeShields, Julius W. Anderson, Martha Hatfield, Elmer Anderson, and Edward Stevenson, of Monongahela, all of the State of Pennsylvania, supporting House Bill 1 providing for the full payment of adjusted compensation; to the Committee on Ways and Means.

4558. By Mr. WIGGLESWORTH: Petition of members of the Warren Avenue Baptist Church, of Brockton, Mass., opposing the resubmission of the eighteenth amendment for ratification by State conventions or by State legislatures; to the Committee on the Judiciary.

4559. By Mr. WITHROW: Petition signed by 5,299 citizens of the third congressional district of Wisconsin, petitioning the Congress of the United States for the exemption from tax of all theater tickets costing 50 cents or less; to the Committee on Ways and Means.

4560. By Mr. WOOD of Indiana: Petitions of residents of Indiana, favoring the Sunday observance laws; to the Committee on the District of Columbia.

4561. By Mr. WYANT: Petition of Group No. 2226 of the Polish National Alliance of the United States, Latrobe, Pa., urging enactment of legislation to proclaim October 11 of each year as General Pulaski's Memorial Day; to the Committee on the Judiciary.

4562. Also, petition of Group No. 1241 of the Polish National Alliance of the United States, Latrobe, Pa., urging enactment of legislation to proclaim October 11 of each year as General Pulaski's Memorial Day; to the Committee on the Judiciary.

SENATE

FRIDAY, MARCH 18, 1932

(Legislative day of Monday, March 14, 1932)

The Senate met in executive session at 12 o'clock meridian, on the expiration of the recess.

Mr. COPELAND. Mr. President—

Mr. FESS. Mr. President, will the Senator yield to enable me to suggest the absence of a quorum?

The VICE PRESIDENT. Does the Senator from New York yield for that purpose?

Mr. COPELAND. I yield.

Mr. FESS. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

| | | | |
|-----------|----------|--------------|----------|
| Ashurst | Bulow | Dickinson | Hatfield |
| Austin | Capper | Dill | Hawes |
| Bailey | Caraway | Fess | Hayden |
| Bankhead | Carey | Fletcher | Hebert |
| Bingham | Connally | Frazier | Howell |
| Black | Coolidge | George | Hull |
| Blaine | Copeland | Glass | Johnson |
| Borah | Costigan | Goldsborough | Jones |
| Bratton | Couzens | Hale | Kean |
| Brookhart | Dale | Harrison | Kendrick |
| Broussard | Davis | Hastings | Keyes |

| | | | |
|----------|----------------|---------------|--------------|
| King | Norbeck | Sheppard | Trammell |
| Logan | Norris | Shipstead | Tydings |
| Long | Oddie | Shortridge | Vandenberg |
| McGill | Patterson | Smith | Walcott |
| McKellar | Pittman | Snoot | Walsh, Mont. |
| McNary | Reed | Steiner | Waterman |
| Morrison | Robinson, Ark. | Thomas, Idaho | Watson |
| Moses | Robinson, Ind. | Thomas, Okla. | White |
| Neely | Schall | Townsend | |

Mr. FRAZIER. I wish to announce that my colleague the junior Senator from North Dakota [Mr. NYE] is detained from the Senate by reason of illness. I ask that this announcement may stand for the day.

Mr. KEAN. My colleague the junior Senator from New Jersey [Mr. BARBOUR] is unavoidably absent. I would like to have this announcement stand for the day.

Mr. LOGAN. I announce the necessary absence of my colleague the senior Senator from Kentucky [Mr. BARKLEY] on public business. I ask that the announcement may stand for the day.

Mr. GEORGE. My colleague the senior Senator from Georgia [Mr. HARRIS] is still detained from the Senate because of illness. I will let this announcement stand for the day.

Mr. GLASS. I wish to announce that my colleague the senior Senator from Virginia [Mr. SWANSON] is absent in attendance upon the disarmament conference at Geneva.

The VICE PRESIDENT. Seventy-nine Senators have answered to their names. A quorum is present.

MESSAGES FROM THE PRESIDENT

Sundry messages in writing from the President of the United States submitting nominations were communicated to the Senate by Mr. Latta, one of his secretaries.

REPORT OF THE BANKING AND CURRENCY COMMITTEE

Mr. GLASS, from the Committee on Banking and Currency, reported favorably the nomination of Vulosko Vaiden, of Farmville, Va., to be a member of the Federal Farm Loan Board, for the unexpired term of eight years expiring August 6, 1932, in place of George R. Cooksey, resigned, which was placed on the Executive Calendar.

CUSTOMS SERVICE—FRED A. BRADLEY

The Senate resumed the consideration of the nomination of Fred A. Bradley to be collector, customs collection district No. 9, Buffalo, N. Y.

The VICE PRESIDENT. The question is, Will the Senate advise and consent to the nomination? The Senator from New York has the floor.

Mr. COPELAND. Mr. President, I realize that this is a controversial question. It may be that Senators will wish to ask about one point or another as the points are developed. However, I would prefer, if I may, to complete my statement, and then if there are any questions in mind that need to be answered, I shall be happy to make such reply as I can.

Mr. President, when it became known that the President had sent to the Senate the name of Fred A. Bradley for reappointment as collector of customs at Buffalo, I had floods of letters asking that the office be investigated. After the committee reported, assuming such investigation had actually been made, I asked the Senate to defer action on the pending confirmation. I did this so I might be able to say to my constituents that from my own knowledge proper investigation had been made.

I found, to my regret, that pressure of other matters had made it impossible for the Finance Committee to go into details. The reports and papers accompanying the hearings had not been examined. This is apparent, because careful study reveals that contained in them are matters of vital importance to the formation of an accurate conclusion.

It is not surprising that the committee was misled by the testimony of some witnesses. Unfortunately some of the testimony was based on hearsay, some on bad memory, and some possibly on the desire to deceive. In any event, the committee's decision was not conclusive, and to one who studies the record it is far from convincing.

I say this with no desire to reflect in the least on the fair-minded and able Senators who conducted the hearings.